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WEST EUROPE REPORT

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SOCIALIST VIEWS ON EUROPEAN DISARMAMENT, U.S. POLICIES

Paris LE MONDE in French 17 Apr 81 p 2

[Article by Georges Sarre, Socialist Deputy in European Parliament: "A European Initiative for Disarmament"]

[Text] The socialists are, more than others, conscious of the dangers that confront peace, especially in Europe. But they do not intend to therefore let themselves be tossed in a blanket by the old ruse that aims at closing ranks in the face of those dangers, even if it means creating or increasing the risk. How is one to differentiate in the current context between that which is based on alarmist propaganda and that which, on the contrary, requires vigilance? How is one to contribute realistically to the progress of disarmament without for a single second endangering the security of the nation? There can be no answer to these questions without a lucid understanding of the current balance of forces.

That there has been a return to the concept of two blocs is clear to everyone. It is the paralleling response of each of two worlds in disarray. The profound change in the Western economic system, and its redeployment, are generating, throughout the sphere dominated by the United States, serious tensions, upsets and splits. Washington cannot maintain the cohesion of the Western world under its authority unless it sets forth a common outlook. In the absence of a new horizon, it is still the "barbarous danger" emanating from the East that provides the least common denominator.

In the East, Moscow has lost all its aura as an ideological influence. Its hold on the countries of the Soviet orbit is based more on the force of arms than on a shared concept. The fossilization process inherent in bureaucratic societies leads the USSR to base the cohesion of its sector of influence initially on constraint. And, when its glacis is directly threatened, it is military intervention that sounds the death knell of the independence of peoples.

Examples of this hardening of the two blocs could be cited by the thousand.

The clearest are emanating from the Reagan administration which is renewing an attachment to the language of the cold war; a new Monroe doctrine in Latin America, pressures of unprecedented violence on Europe (in this respect, the question of European aid to El Salvador has served as a test and a warning to us for the future), a return to the "big stick" policy...

In the same manner, continuation of the Soviet military occupation of Afghanistan, and the pressures being exerted upon the Polish Government and popular movement, attest to Moscow's refusal to tolerate the least opening to question of its sector of influence.

This return to the most cynical of bloc politics is being accompanied by a disturbing revival of the arms race. The bloc system is paralysing all discussion on arms control. This bottleneck is being used to advantage in Washington to begin a new, major lap in the arms race. Mr Reagan's program is unmistakable: a revival of the B-1 bomber program, Trident submarines equipped with new missiles, start-up of the MX mobile missiles program. To which Defense Secretary Weinberger has just added the production of neutron bombs and their deployment in Europe.¹ The program to deploy Pershing-2 Euromissiles and cruise missiles, stationed in Europe, completes the panoply and augments considerably the risk of a conflict limited to European soil.

Lastly, Presidential Directive No. 59, setting a priority on the development of precision weapons designed for selective strikes against limited military objectives, opens a vast field to the production of armaments; the only limit is the number of objectives, which is clearly extensible at will.

One need not be a prophet to imagine that these indications of intent, which mark the return in force of the Pentagon's ideas, will encourage Moscow not only to continue the deployment of its SS-20 missiles but also to prepare its response to the new American weapons. The current round of the arms race is under way.

A Resolute Policy

Against this deadly development, we are not lacking in means of action. A resolute policy in pursuit of disarmament can be carried out by France and Europe. It will require first of all that its credibility be established; it will also require a suitable framework; and finally, it calls for necessary backing.

Its credibility can only have genesis in an approach outside the system of blocs, since that system has clearly been at the origin of all the bottlenecks that have been experienced over many decades.

Only through independence of action can France make her voice heard. Trying to please both sides leads to empty rhetoric, and our "Giscardian" speech in the UN is the very type of bad example not to be followed. I add that the manner in which the French foreign minister rushed to take his place in Mr Reagan's shadow also fails to offer serious guarantees of credibility. In his "History of Gaul," Camille Jullian remarks: "No sooner had emperors been chosen than they obtained immediately from the Gauls the usual tokens of devotion." This remark finds today a significant echo: Aspiring only to his role as a devout subject of the American empire, Mr Giscard d'Estaing is depriving himself of all chances of being heard on the international scene. Since his sole aim is to form the European pillar of the Atlantic defense structure,² he has lost all authority to open an innovative approach in the field of disarmament.

Inversely, an approach based on a clear intent to break loose from the grip of the blocs would gather both the support and the credibility needed.

The quest for a suitable framework must be based on similar considerations. Today, there can be no question that the SALT negotiating system is in crisis. The SALT talks have never been an instrument for disarmament. At most--although obviously not a result to be shrugged off--they have led the Big Two to place several ceilings on unbridled production of intercontinental missiles and to put an end to the production of costly antiballistic missiles. But this is not disarmament. In the second place, these talks have remained entirely the prerogative of the Big Two and theirs alone. If the outlook for SALT 3 has included the European countries, it has been essentially for the purpose of disarming them: in short, to maintain the Soviet and American arsenals and limit the French and British deterrent forces by bringing them into the American system.

The proposal initiated by France, on the other hand, and launched by Francois Mitterrand, to hold a European conference on the reduction of tensions in Europe would be of a nature to situate the debate on more acceptable as well as realistic underpinnings, with all nations participating in a conference on security and cooperation in Europe. It is within such a framework that the issues of the forces stationed in Europe, the nuclear weapons deployed there, measures to ensure compliance, and, generally speaking, the control of crises, can be addressed effectively.

European backings for such an approach can be fully taken for granted. In the FRG, the Low Countries, Belgium, Denmark and Great Britain, the thought of harboring Pershing-2 rockets or cruise missiles is disquieting to public opinion and to the governments, which have nothing to gain by transforming themselves into hostages for an eventual battle in Europe to be decided by the Big Two. The desire of each of them is to get away from this impasse. To lead the way is the role of France, which alone has an independent deterrent capability and hence a certain freedom of maneuverability.

The major objectives must be, first and foremost, the mutual and balanced reduction of foreign forces stationed on European soil and attesting to the humiliating status of dependency in which the nations of the Old Continent are being held.

And secondly, peace in Europe demands rapid strides toward a denuclearization of the center of the continent. Three measures could concretize this intent: a limitation on the deployment of tactical weapons, a freeze on SS-20 missiles, and a refusal to install Pershing rockets and cruise missiles.

It is urgent, in this respect, that the Europeans take the initiative. Absent that initiative, they will shortly be ground up between blocs, subjected to inexorable pressures, and summoned to line up with the exigencies of their powerful tutors.

FOOTNOTES

1. Statement of 3 February.
2. Statement at the Atlantic Pact summit in Ottawa on 19 June 1974.
3. [Footnote missing from page as published].

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PROPOSED DEFENSE STRATEGY: AUTONOMOUS, EUROPEAN

PARLA POLITIQUE ETRANGERE in French Mar 81 pp 121-125

[Article by Pierre Fylau-Wagren (pseudonym): "Proposals for a French Strategy from 1980 to 1990"]

[Excerpt] This text is the result of reflections conducted jointly within the ASRES [Association for Strategic Research and Studies] by military men, civil servants, university members and newsmen.

The recent evolution of the international situation has had a considerable effect on the data on which French strategy, defined at the beginning of the last decade, was based. In particular, the evaluation of threats, direct or indirect, has been thoroughly modified.

Moreover, the vulnerability of Europe and France to indirect threat is going to continue to increase. Evolution toward a multipolar world that lessens the ability of the two great powers to control regional crises, proliferation of traditional weapons but also nuclear weapons in the Third World multiply risks of conflicts, without the possibility of predicting their development or consequences.

The following reflections must be regarded as a search for priorities and means to be decided on for French strategy for the decade just starting, in order to cope with the increase of the direct threat in Europe and to have reaction capabilities, in case of a peripheral crisis.

What Kind of Strategy for France?

The increase in international tension is tending naturally to accentuate differences. Some persons, who have basically never accepted a falling off of the Atlantic ties, advocate, more or less explicitly, a return to a collective security system under the protection of the United States. On the other hand, others recommend a more definite falling back by France on its sanctuary. The following proposals intend to show that there is room for another strategy based on an essentially national effort but also retaining the need for not renouncing our solidarities.

The Straight and Narrow Way: Toward European Security

Another way--rejection of Atlantic integration and playing a lone hand--is opening up to France: A strategy that mixes complementarity and autonomy and is best suited to the present political situation, in order to strengthen European security by means of a national effort. Differently from the "European" version of Atlantic strategy, it does not repudiate the constraints weighing down on the nations of the old continent and, by proposing for itself a pragmatic approach, it strengthens its own security not as a European nation, by contributing to the defense of Europe, and as an independent nation, by maintaining its autonomous defense effort.

This strategy results from a dual policy imperative:

Maintenance of an independent policy based on nuclear deterrence is more than ever necessary in view of the dual threat brought to bear by the Soviet Union with its risk in power and the United States by its temptation to abandon to their own fate allies who are not docile enough.

Need for having theater forces (nuclear or traditional) still stands, both in order to meet the need for security of the countries tied to France by military agreements outside Europe and on the European continent itself, in order to affirm there in Germany France's attachment to the status quo and its determination to defend it.

Differently from the sancti-mirrine, this strategy could not disregard the threats hanging over our European neighbors. It takes into account Germany's insecurity, born directly and indirectly by the dual threat mentioned above. Now, France cannot dissociate itself from this problem, which is, perhaps, the most serious one for Europe. In fact, the Franco-German alliance is still one of the pillars of its foreign policy, but Germany especially might be tempted, without that, to seek a solution to the East, leading, in the long term, to its reunification, because, by means of certain political guarantees, the USSR has nothing to fear militarily from a denuclearized Germany.

Expressed in very general terms, the objectives of this kind of strategy are reduced to three:

To guarantee security of the territory by means of nuclear deterrence.

To be capable of fulfilling our obligations with regard to our non-European allies and to take prompt action in case of a crisis.

To offer a "complementary guarantee" to the FRG.

In fact, it is not a question of proposing an alternative alliance to Germany. French support acquires meaning only if the main protector of Germany, today and tomorrow, should prove to be in default at the time of an especially serious crisis. This default might come both from American hesitation to become engaged, or from preventive destruction of NATO's tactical nuclear weapons. French strategy (or in this case Franco-German strategy) can only rest on deterrence, because in the assumption of America's default, the battle in Europe has no chance of being won. It would, therefore, be a question of restoring deterrence, jeopardized initially by American default.

Nevertheless, it is impossible to conceal the many difficulties that implementation of this kind of strategy would encounter. First of all, its credibility cannot be absolute. Even if both countries were very united, France could find it difficult to agree to risk its existence to save Germany. In view of that kind of threat, the merits of the sanctuary are, without any doubt, better perceived. The position of the besieged is preferable to the position of the enslaved, as was shown by the people of Great Britain in 1940, because the besieged can hope for help or for exhaustion of the aggressor. Moreover, France can survive Germany's conquest. Denial of this would, in fact, amount to rejection of the value of our deterrence and to confusing somewhat hastily the fate of the Poles or of the Austrians--even if comparisons of the Napoleons with the fate of the Czechs. Besides, the decision to use nuclear weapons is very personalized. Even if a French president felt very close to Germany, he would not necessarily be more determined to raise the stakes to protect his ally than the president of the United States. All the more so, because France, lacking a large number of flexible response possibilities, would run a greater risk than the United States.

This strategy also assumes a policy situation not entirely mastered by France. In fact, France and Germany have to have a common view of their future. Now, this unity of views is not implicit, especially if Germany gives priority to its reunification as a political objective. Moreover, while remaining in the integrated organization, Germany would have to provide the means for a different policy in case the Alliance should not give satisfaction. This dual policy is not easy to implement and would risk precipitating an American disengagement.

Nevertheless, these policy difficulties will have all the more chance of being removed, if France appears as a more credible military partner on a European scale. It can achieve this under two conditions. First, it must announce a simple, clear doctrine with regard to the linkage between the use of tactical nuclear forces and strategic forces, excluding any idea of a graduated reply, so that the USSR may take into additional risk into account from the very conception of its plans. France must, in addition, revise the level of its forces:

About the strategic nuclear force, a definite increase in its capabilities is absolutely necessary, without seeking, in spite of that, an unattainable parity with the USSR. In this field, it must be realized that the law of number still is in effect to a certain extent as a subjective credibility factor.

About the tactical nuclear force, it is necessary to have means of applying a significant and, therefore, effective strike from the military point of view, because it is not immaterial to Germany for local deterrence to supplement strategic deterrence. It is obvious that an air force would be better suited for this strategy than the present Pluton, owing to its reach and its flexibility. The "neutron bomb" may find its place in this point of view. In fact, the credibility of France's nuclear arsenal forms a whole. By announcing its capability of producing those weapons rapidly, France demonstrates that it is at a high technological level. Certain reactions picked up from the German press suggest that this factor is far from being negligible and it enhances the deterrent value of France's nuclear potential in the minds of our neighbors.

Concerning the traditional forces, the "large battalions" are not needed. In Germany, the level of forces must not be too low, however. It must imply a real desire

to recent experience and, therefore, it does not have to be very different from what it is at present. On the other hand, reductions in territorial defense are possible. The security forces alone must. The gendarmerie should be able to assume a good part of their missions, assisted, if necessary, by reserve units. Protection of sensitive points should not mobilize a large number of personnel, because a coordinated attack by an outside aggressor (airborne commandos) would be an unmistakable attack on our vital interests, justifying a nuclear response. With regard to a "last maneuver," by virtue of geography it is incumbent on the forces in contact with the enemy, in this case the army in Germany, whose increased mobility will make it more suitable for performing multiple missions.

Provided France has taken the national steps required for giving its forces a more "European" dimension, France will be able to win Germany over to this strategy. In fact, this strategy requires an operational liaison between both countries to be specified in advance, although, as has been seen, its implementation should not be automatic. In this field, joint action might be undertaken, especially in the acquisition of an autonomous intelligence capability. Its financing would then be handled by both countries, differently from the French nuclear arsenal, which, for political reasons, cannot benefit from a German contribution and whose cost, at any rate, is not prohibitive for our country.

With regard to intervention forces outside Europe, no mass action can be envisaged for France taken isolatedly. Consequently, the deficiencies in the existing instrument must above all be made up, without greatly modifying present missions.

The Means

Application of the principles specified above will not be without financial consequences and it must be pointed out that a medium-term estimate is more than ever necessary. In fact, most frequently, 6 to 10 years separate the decision to develop a weapons system from its placing in operation. It is proper to recognize, in this connection, the beneficial effect of previous program laws. In particular, the 1977-1982 programming law made it possible to reverse the decreasing trend of the military budget in the wholesale gross domestic product (PIR), to provide Defense with an increasing appropriation and to give priority to the equipment part over operation. Experience shows, however, the limitations of this programming. Monetary crises are particularly difficult to take into account. Therefore, it seems desirable to prepare the next programming law more strictly or more realistically with regard to the economic assumptions decided on, in order to determine the amount and progression of military appropriations. In fact, these appropriations should make it possible to carry out the objectives previously indicated with regard to the nuclear forces and the traditional means.

The Nuclear Forces

The evolution of the Soviet arsenal toward increased accuracy obliges the strategic nuclear force to give priority to the components least vulnerable to this new threat.

At present, SSLE (Missile-Launching Nuclear Submarines) submarines are the most reliable vehicle and the one whose political significance is best perceived. The present force makes it possible to have at least two submarines at sea permanently. Doubling this number before 1990 would make the strategy outlined above credible. Thus, eight SSLE in 1990 seems to be a reasonable objective.

Another priority is maintenance of a second component, because a redundancy of systems is an essential factor in deterrence, making it possible, if not to be forearmed against a technological breakthrough by the enemy, at least to limit its effects. Now, the air component should hardly survive beyond 1985-1990. As soon as the other better performing components of our strategic force reach maturity, their need decreases sharply.

The cruise missile, which might replace the aircraft, would certainly not be without advantages. It can be adapted to various launchers and its unit cost might be moderate. Nevertheless, its subsonic speed and the density of the surface-to-air network that the USSR has and that it is going to modernize as a result of the decisions made by NATO in December 1979 would make it vulnerable.

In fact, a mobile ballistic missile seems to be the best solution, because it is relatively symmetrical and less vulnerable than the fixed batteries on the Albion Plateau.

But a strategy more widely extended to Europe entails that France should have a tactical arsenal whose contribution of general deterrence is twofold, rather than a strategy strictly limited to defense of the national sanctuary: to make a counter-attack policy on the ground more difficult and to announce, in an unambiguous notice, France's determination to use the strategic forces.

With what tactical means should France be provided? From the point of view of increased military effectiveness, the aircraft is far superior to the ground component. In fact, the air instrument is both lighter and more flexible, because the same vehicles can perform traditional or nuclear missions. It is easier to use and it will be still easier when the Mirage 2000 is equipped with the ASMP (Medium-range Air-to-Surface) missile. System redundancy is not imperative in this field, insofar as all the vehicles are almost equally vulnerable. Consequently, if it is not indispensable to abandon the present ground component, at least it does not seem necessary to develop the Rader (possible successor of Pluton) on a priority basis.

A search for greater military effectiveness, in order to be able to strike an aggressor in depth if his deployment is necessary should not, however, lead to a questioning of the present employment concept that ensures "coupling" between ANT (Tactical Nuclear Weapon) and FAS (Strategic Nuclear Force). In fact, it would be useless to attempt to equal a potential, dangerous adversary and, consequently, to accept the principle of a nuclear battle in which the law of numbers would work rapidly and inevitably to our detriment.

The ANT carries aboard aircraft carriers must be understood in the light of these principles. Of course it would be tempting to make it the ideal weapon for naval combat. But it would be deceptive to think that, because the sea environment is symmetrical, as it were, it is possible to lower the nuclear threshold on it without any risk. The ultimate ANT must be brandished only to prevent aggression against the metropolis or overseas France and also to deter a given adversary equipped with the same weapons from using them against our surface fleet. On the other hand, it could not serve for purposes of intimidation. Out of proportion when the stakes are low, its employment against a secondary power threatening our vital interests would only obtain a temporary advantage and would justify the intervention of a great power that France could not confront alone.

Thus, provided the employment doctrine is maintained, nothing prevents its methods from gaining in flexibility and the enhanced radiation weapon from being developed. Its performance, that must not be overestimated however, would be capable of increasing the effectiveness and credibility of the "last warning."

The Traditional Forces

The strategy advocated for France in no way involves traditional forces whose mission is to maintain a long-term conflict against a potential adversary who enjoys an overwhelming superiority in this field. It assigns two priority objectives to these forces: to make it possible bring nuclear forces into play and to give France the means for coping with a peripheral crisis.

1. Employment of nuclear forces implies good protection of the FNB and ANT bases and vehicles, but also sufficient potential for supporting the so-called "test" maneuver.

With regard to the Navy, the priority granted to the Strategic Naval Force (FOSF) and to aircraft carriers, called upon to be the naval component of the intervention forces, justifies maintenance of a fleet intended for protection and escort. Therefore, the effort should be brought to bear on attack submarines and ships specializing in mine detection, antisubmarine warfare and antiaircraft defense. In this connection, it is disturbing to observe that the means allocated to the Navy are going to decrease in the near future.

In spite of the financial outlay committed during programing and initiation of construction of warships (at the present time, in fact, about one-fourth of the fleet is under construction), ship obsolescence and the inadequate amount of replacement construction decided on in the past are going to lead to a decrease in the fleet tonnage for several years.

With regard to the Air Force, priority should go to the Tactical Air Force (FATAC), responsible both for supporting the battle corps and for protecting the Mirage IV in the assumption of a strategic strike, and, primarily, for delivering the ANT. Our air defense forces (130 aircraft in 1980 and 139 in 1982) would, in fact, provide only a marginal contribution to the Alliance, which would obviously be in the front line in this area. In the medium term, a sharing of jurisdiction, even if implicit, might come about between the FRG, whose effort would be directed essentially to interception, especially at high altitude, and France, which, in its capacity as a nuclear power, would give priority to the tactical air force. Therefore, it is necessary to maintain the number of combat aircraft at the level provided by the programing law, which, on the whole, has been respected rather well on this point but with a more pronounced priority granted to the FATAC.

The Army, in turn, will be faced with difficult decisions. In fact, in spite of the considerable outlay made in its favor, the battle corps has and will still have in 1985 only insufficient equipment.

Now, although there is no question of reducing the equipment outlay undertaken to the benefit of the land forces, whose capability of supporting the "test" maneuver would then be eroded, it is necessary to raise the difficult problem of personnel, whose number depends, at present, less on the missions assigned to the battle corps

than on the draft. In this connection, it will be noted that France has the largest forces with regard to population (excluding the USSR, Vietnam and the People's Republic of Korea).

<u>Country</u>	<u>Number of inhabitants for one member of the Army (1978)</u>
USSR	103
France	165
FRG	187
Great Britain	342
United States	281

Therefore, a choice has to be made: either poorly equipped, little trained units, but in sufficient number to absorb about 70 percent of an age group every year (that is to say 280,000 men), or fewer personnel, but provided with modern equipment and whose aptitude for conducting a short-lasting conflict, in accordance with the doctrine stated above, is beyond question. Our preferences go definitely to the second term of the alternative. Its application would assume a reduction of 100,000 men, including 80,000 draftees, spread over the 1983-1988 period. Financially, this kind of measure would find expression in a gross annual saving of around 1.1 billion francs under 1979 economic conditions. The ratio of draftees to the actual resources, which was 76.3 percent in 1977 and 67 percent in 1979, would increase to 50 percent in 1988, or a figure comparable with the figure for countries as different as the Netherlands (40 percent), Poland (36 percent), Belgium (38 percent), Italy (49 percent) and the FRG (36 percent). Finally, it will be observed that inequality with regard to the draft is a reality right now. Moreover, its size should decrease, starting in 1990, for reasons tied to the demographic situation.

Only this kind of measure would make it possible to restore its effectiveness to our battle corps without raising the issue of the principle of conscription. Nevertheless, the increase of inequality with regard to the draft will require a compensation and the share of the saving made can be evaluated at close to 50 percent, which should be reemployed to improve the conditions reserved for draftees appreciably. The rest would go to equipment of the Army, giving priority to the support branches (especially the artillery, antiaircraft protection, means of communication and guided missiles against armored vehicles (regardless of whether they are used on the ground or mounted on helicopters).

2. The foreign action forces would enable France to cope with peripheral conflicts. Therefore, the intervention units have to be given the means for a short, limited action, directed against troops whose equipment is likely to be increasingly modern. In view of the fact that the operational capability of the forces available at present (11th DP [Parachute Division], 9th DIMA [expansion unknown; probably Mechanized Infantry Assault Division], Foreign Legion) is a priori satisfactory and because the quality of their equipment will continue to be improved, two problems seem to have priority: air transport and naval support.

France actually has no transport aircraft equal in performance to the C-141 and it cannot acquire any either in Europe or in the United States, because the existing number of units is absorbed by the "rapid deployment force," which is in process of being set up after the decisions by President Carter. Consequently, the following

scenario must be observed: until 1987, the only available aircraft will be the Transall, capable of in-flight refueling, (range, 5,000 kilometers; the Air Force will have 50 units in 1982, instead of 39 in 1980). The limited performance of this aircraft would assume, in certain cases, authorization to use bases located on foreign territory. Starting in 1987, France will, perhaps, be able to buy the American CX, which transports, roughly, three times more men, is three times faster and goes two times farther than the Transall. The number of aircraft required will probably be 15, for an expenditure estimated at 3.8 billion francs.

With regard to naval facilities, the ones we have abroad are insufficient and insecure. Now, in case of crisis, it is necessary to display the Navy's presence and means, deterring an adversary from attacking our interests. Moreover, in the assumption of an airborne operation, protection of the transport aircraft or provision of tactical support may prove to be necessary. Consequently, a strong effort must be made to the benefit of aircraft carriers. Because the present ships are to be decommissioned in 1991 and 1993 and because construction of comparable ships requires 6 to 7 years, they will have to be ordered in 1983 at the latest. The appropriations to be provided will probably be on the order of 6 billion francs.

At the same time, the decrease in Naval Aviation equipment (onboard aircraft, sea patrol and helicopters) must be checked. The total number of units was, in fact, to drop from 185 in 1980 to 153 in 1987.

Finally, the outlay granted to the support fleet will have to be continued and increased. In this field, priority should be given to repair ships, to communication ships and to tanker-supply ships.

The measures advocated above are by no means beyond the reach of a medium-sized power like France. Undoubtedly, if there is a desire to limit the increase in budgetary appropriations, they require of the Armed Forces an increased effort of strictness in utilization of these appropriations. The results already achieved in this area show all that can be expected of a better management of means. But it is necessary to be clear. The increase of the Defense budget's share in the wholesale gross domestic product must continue. A ratio of 4.2 percent seems, on first analysis, to be a reasonable and necessary objective that will give the degree of priority assigned by the state to its security. In fact, the objectives outlined above cannot be attained without a prolonged effort, in a field in which nothing is more dangerous than to announce intentions without taking the means for implementing them and in which a long time period separates desires from realities.

10,042

CSG: 3100/788

CONTACTS AMONG NORWAY, CONTINENT, UK NEO-NAZIS ALIBIED

THIS KLASSEKAMPEN in Norwegian 30 May 81 11-12

[Article by Per Bangsund]

[Text] After the Hasleland murders, the Norwegian neo-Nazis were busy demonstrating their innocence. The enormous relief that it was not any of Blucher's cohorts who were behind it was obvious. Blucher himself called the editorial offices of the different newspapers to get the names of the murderers and was jubilant when he learned that they were not "his" people.

The suspicion that it might have been the case was not unfounded. The Norwegian neo-Nazis have established close ties with European terrorist organizations and have for a decade been participating in meetings and training camps in Europe. Before 1 May, Blucher was himself in London, and in an article in NASJONALISTEN he states who his friends are.

The Hostess

"Let me express my thanks to the charming leader of the Worthing National Front, Carolyn Giles, who arranged a meeting where I had the pleasure of being able to provide information about the Norwegian National People's Party," Blucher writes.

"Charming" Carolyn Giles is not just anybody. She is a central member of the National Front, she has, for example, participated in TV debates on behalf of the Nazi party. However, Blucher's hostess is also well-known in France. There she has made propaganda for the Nazi organization FANE which was behind the massacre in a Jewish synagogue last year where four people were killed and sixteen injured.

And she has not just been giving her support to FANE secretly. She has readily allowed herself to be photographed for propaganda posters for the French terrorists. (See photo)

The Host

The man who invited Blucher to England is called Steve Brady. He is in charge of the foreign section of the Nazi organization, the League of St. George.

"Let me express my special thanks to Steve Brady for a stay which was 100 percent successful and inspiring," Blucher writes. Three years ago, the same Brady invited a delegation from the "Grey Wolves" to England, the Turkish organization which was behind the attempt on the Pope's life recently. And Brady was generous enough to allow a certain Michel Faci, a prominent member of FANE to write an article in which he paid homage to the Turkish fascists in his paper.

The same Faci is still very much in the limelight in connection with the Bologna massacre in August of last year when more than 90 people were killed.

On Hoffmann

Blucher's good friend Brady who, incidentally, was a teacher in London until he was kicked out on account of his Nazi propaganda activities, wrote in the foreign news pages the following about the Hoffmann groups in Germany: "They have an important function as the training center for the new generation of young fighters who fight against decadence and communism." And he then provided information on how to get in contact with the organization which was behind the assassinations in Munich last year. No wonder Blucher thanks for an inspiring stay.

The Norwegian neo-Nazi's contact with the League of St. George is old. LEAGUE REVIEW wrote in October of 1977 the following: "We congratulate our Norwegian friends with their brave efforts and wish them every success in the future."

Two years later, the League of St. George arranged a training camp in the Netherlands for selected volunteers who were to go to South Africa. Whether there were any Norwegian participants, I do not know. The organizers said that "Brandinavians" were participating. One of Brady's co-workers also participated in the secret meeting at Bruges last year where neo-Nazis from all over Europe discussed possibilities of weapons exchanges.

The Nazis

It is from this environment that Blucher draws his inspiration. But, of course, unifying ideas on races and Hitler are needed. These Blucher gets from two other persons to whom he today sends his thanks, Martin Webster and Richard Verell.

Webster is the leader of the National Front, the fraternal party of the National People's Party, and needs no further presentation than the illustration we reiterated: "Why I am a Nazi."

Verell is not mentioned much in Norway. However, the British film company of Granada contributed a great deal to making him immortal in the home country!

"The Holocaust Swindle"

In 1974 the pamphlet appeared "Did 6 million really die?" written by an unknown Richard Harwood. The pamphlet denied the existence of the concentration camps.

and was full of hatred of Jews. A major debate followed in the newspapers, and Richard Harwood himself wrote several articles. Grenada then challenged Verall, maintaining that he was behind it. Verall wrote back denying this. However, he could not escape the following proof:

Graphologists claimed that Harwood and Verall were written by the same person. And the letters from the two persons had been written on the same typewriter. Later on Verall has written several articles, among them an article entitled "The Holocaust Swindle."

These are Blucher's friends. Anti-Semites, people who are responsible for murders, injuries, people who are criminals in more than one sense. It is from here that Blucher draws his inspiration to issue more handbills and more newspapers.



PHOTO CAPTION

In the left we see Blucher together with National Front members and the Eastern Carolyn Giles. Below we see the name Giles on a poster from the terrorist organization FANE.

UN REPRESENTATIVE COMMENTS ON WORLD TERRORISM

London AL-MAJALLAH in Arabic 6-12 Jun 81 pp 20, 21

[Report on interview with UN Turkish Representative Altunur Kilit: "Representative of Turkey at the United Nations Tells AL-MAJALLAH, "Lebanon Is Fertile Ground for Exporting Terrorism"]

[Text] Turkish officials believe that the motive behind the attempt to assassinate Pope John Paul II was to spread unrest, chaos and fear in the West at a time when severe tension prevails throughout the whole world.

UN Turkish representative, Altunur Kilit, who now has the rank of a minister, says, "This assassination attempt will increase the dangers that are caused by such tension." But he emphasized one aspect of his prediction: Muhammad 'Ali Agha's motive in shooting the Pope.

In an exclusive interview with AL-MAJALLAH Kilit said, "But this depends to a large extent on whether or not it can be proven if Muhammad 'Ali Agha was working for organized terrorists. This is quite possible in view of the fact that Agha did obtain forged documents, that he was able to travel quite freely all over Europe and that he was spending large sums of money."

Agha, who was identified as a Turkish citizen who had escaped [from prison] after receiving the death sentence for murdering a Turkish journalist in Turkey, offered a number of conflicting replies during the investigation into the motive he had for shooting [the Pope] and into the agencies that financed him. But even these things," said Kilit, "may be part of the efforts that seek to spread confusion and chaos."

Then, did the support and the instigation for the assassination, for example, come from an organization that is working in the Middle East?

On the basis of Kilit's information, this may be quite possible on the basis of the assumption that such an action will not only turn the world's attention away from the problems and the crises it is experiencing, but it will also in general add a new burden to the international tension, the reasons for which lie hidden in the Middle East area.

Lebanon Is A Center For Terrorism

Kilic added, "After all, Lebanon is a fertile ground for exporting terrorism. Many terrorist groups also have offices there. If the attack on the Pope was not a random action carried out by a mad person, it is possible that it was part of a general conspiracy organized by a terrorist group to spread chaos, fear and uncertainty in the western world. Yesterday a liberal newspaperman was assassinated, today [an assassination attempt was made on] the Pope, and tomorrow it will be another person. God only knows who will be the next target after that. The whole idea is confined to [the notion] that the more chaos created, the better."

Kilic indicated that Turkey itself was one of the places where the attempt to assassinate the Pope was to have taken place. He added, "When the limelight was focused on Turkey, one of the known consequences that would have ensued from such an action would have been the disgrace that our reputation would have suffered, since a Turkish person was to have carried out the action. But if the attempt were part of an all-out conspiracy, this would have been one of the objectives. Who knows? There may be several other objectives all of which depend on whether or not the attempt is the result of an action by an individual or whether the murderer was working as a tool for others."

The minister went on to say, "There are several theories pertaining to Mahmud 'Ali Agha. One of them is that he may have been used by some elements or leftist organizations without his knowledge. He himself did mention that he may be a tool in the hands of some terrorist organizations. Another time he stated that he had ties with the ultra-right. Nevertheless, there is a strong possibility that he has ties with the leftists who are seeking to upset relations and to spread chaos in the western world."

"At any rate Agha was simply moving freely throughout Europe with forged papers and a billfold full of money. Something like that had to have been supported and subsidized by some organization."

If such an action were planned by international terrorism, does this mean then that attempts to deal with such a phenomenon on the international scene are futile and useless?

To this question Minister Kilic responded by saying, "No, but there is a glimmer of hope despite the fact that the attempts that were made in this regard to force the international community to carry out an effective measure did not yield much. Turkey, for example, which has seen 17 attempts to assassinate diplomats in recent years and which for a long time has tried to make the United Nations recognize the dangers that lie hidden in political terrorism that goes unobserved, had presented a draft resolution in that regard, which was adopted by the UN General Assembly early this year. This resolution was the most that the Turks had been hoping for. It was all that Turkey was able to obtain from the General Assembly in the light of the conduct of some of the governments that

belong to the ultra-right or left. The resolution appeals to it rather strongly condemns terrorist actions against diplomatic missions. It urges the countries of the world to take the necessary measures, and it also calls upon the governments in question to notify the secretariat general of the United Nations of all the terrorist actions that may occur. This is all that the resolution does."

Minister Kilic explained the reason for this by saying, "This is because the countries of the world cannot agree on a definition of terrorism and its reasons. The United Nations faced the same problem years ago when it tried to define terrorism and it came up with a meaningless definition."

He also explained that Turkey has always believed in the need for coordinated action to confront terrorism. "We believe that there is a strong network of terrorism which links terrorist groups to each other around the world. The line that separates one group of terrorists from another is often confusing so that not anybody can distinguish between them and classify them as rightist or leftist or whether they are being utilized or exploited by another specific group. The problem is confined to identifying the person who is holding the strings at a certain time."

When he was asked if the attack on the Pope could change some of the positions at the United Nations and drop further pressure on the special anti-terrorism resolutions, he replied, "We do not expect much from the United Nations." He said, "At any rate we must reach some solution."

But is this problem insoluble? "I do not believe so," says Minister Kilic. "If the independent governments will do more to face the truth." He said, "At any rate Turkey did see 20 murders that were committed by terrorists one day before the present government took over the reins of power. The present government has imposed the death sentence, and the rate of murders has declined to one half of what it was. This means that the death penalty has had its effect on the terrorists. It has made them think twice before carrying out any action. But we also have to try to find out why these things occur, and we have to take a look at the terrorists' psychological and social backgrounds. At any rate this must be accompanied by severe measures. Also any war against terrorists requires more cooperation than that which is taking place right now. It is possible to view the attack on the Pope as justification for the measures that were taken by the Turkish government to deal with terrorism. These measures were severely criticized because they were considered to be in violation of human rights." Hence Minister Kilic thought that liberal and leftist elements in the west were applying double standards. He said, "These people accused Turkey of pursuing a harsh course in the face of terrorist activity, but it is our duty in return to fight terrorism with the weapons that it can understand. It is our duty to arrest terrorists, to interrogate them and to punish them without mercy." He added, "It is truly unfortunate that such liberals, as the Amnesty International Committee, criticize Turkey for the unyielding position it has taken without showing any interest in the private human rights of those who were killed by the terrorists. Accordingly, the double standards have created total

interest in the criminals and an inadequate interest in the victims. However, since the attack on the Pope, everyone's awareness of the measures that the Turkish government adopted to fight terrorism began to grow. The Turkish government intends to pursue these measures without paying attention to outside political pressures."

8392

C90: 6636/1

SWEDISH FIRM CHIEF: USSR GAS THROUGH FINLAND LIKELY

Stockholm DAGENS NYHETER in Swedish 25 Jun 81 p 36

[Article by Bjorn Anders Olson]

[Text] A gas pipeline from the Soviet Union via Finland to the region of Skutskar is considerably closer in time than a pipeline running through all of Sweden from North Norway. Ove Rainer, Svedegas president, told DAGENS NYHETER that.

On Tuesday the Social Democrats presented their plan to bring Norwegian North Sea gas in a pipeline down through Sweden to the continent with "pumping stations" here and there along the way.

The plan is nothing new; it has been part of the Svedegas work for some time.

"We have asked the National Power Administration to investigate such a pipeline going from the Tretrikaraset region down through the country either along the coast or inland," Ove Rainer said.

"But there are several disadvantages to an inland pipeline roughly following the course of the Inland Railway. It would have to cross swamps, reindeer pastures might be damaged, etc.

"It might be better to have the pipeline follow the coast. For one thing that is where the consumers are and for another it could be linked in Skutskar to the gas we hope to get from the Soviet Union," said Ove Rainer.

Talks have been going on for some time with the Soviet Union about a gas pipeline through Finland which would almost exclusively benefit Sweden. Finland already has a gas pipeline from the Soviet Union which goes to Kotka.

But objections have been made to buying Russian gas, partly in view of uncertain gas deliveries.

"In a crisis everything would be shut off, so that is no argument," replied Ove Rainer. "The agreement the Russians have with Ruhrgas and others on the continent have not led to any complaints."

The Soviet Union is now building a gigantic gas pipeline from Siberia that will supply gas to western Europe.

Countries on the continent are also interested in the gas Norway is expected to deliver from north of the 62d parallel.

There too a pipeline through Sweden is judged the best alternative for transporting the gas from its source to European consumers, while at the same time filling Sweden's gas needs.

In Motala alone 2 billion cubic meters of gas could replace other energy sources.

None however a gas pipeline from the Soviet Union is closer in time even if it must be viewed in a 10-20-30 year prospect.

The most immediate prospect is a pipeline with Danish gas primarily supplying southern Sweden with a possible extension up along the west coast. In the future also lies a coupling of the various pipelines containing Danish, Norwegian and Soviet gas somewhere in central Sweden.

But two things must be emphasized.

For one thing these are all very long-range projects.

For another Sweden is a very small part of the international gas picture which also involves gas from the traditional oil countries in the Middle East.

"We are quite dependent on the course of the currently very sluggish negotiations between the Russians and the continental companies," said Ove Rainer.

Despite this sluggish pace Ove Rainer expects Sweden can get gas sooner from the Soviet Union than Norway can start delivering its gas. And as a representative of Svedgas he also took issue with those who feel gas is too expensive.

"Who knows what energy prices will be when this all becomes a reality, perhaps 20 years from now?"

6378

CSO: 3109/115

PAPER CRITICIZES GOVERNMENT POLICY ON NUCLEAR, GAS POWER

Copenhagen BERLINGSKE TIDENDE in Danish 25 Jun 81 p 8

[Editorial]

[Text] It is getting harder and harder to understand the government's energy policy. It has been announced that the government would like a multifaceted energy supply which presumably would improve guaranteed supplies, and that nuclear power would be one of the facets when safety requirements were met and a satisfactory solution to the waste storage problem was found. Today these conditions for the use of nuclear energy may be said to have been met, partly as a result of the very costly studies concerning waste storage in salt veins underground. Even so the energy minister now says that no decision has to be made for the next 10 years on adding nuclear energy to the multifaceted energy supply system. But the government is not hesitating because of political expedience, it is holding back, in the words of the minister, "for reasons of common sense."

Of course it is senseless to build power plants for which there is no demand. But since building nuclear power plants would extend over a 10-year period it is not the needs of the next few years that are relevant in this context. However in the longer perspective the building up of the multifaceted supply system mentioned above is a factor. Considerable emphasis should be placed in this context on the fact that the utilization of nuclear power does not cause the same serious environmental pollution problems--including in particular dust, carbon dioxide and sulfur dioxide pollution--connected with the burning of fossil fuels. It is hard to see what the "common sense reasons" are that have apparently caused the energy minister to totally abandon the energy policy decision agreed on in the spring of 1979 under the SV [Social Democratic/Liberal] government.

In addition we must seriously question the socioeconomic common sense involved in the rapidly-advancing natural gas project. Most recently calculations made by the electric plants in connection with preparing municipal heating plans show that decentralized power-heating plants run with the help of natural gas would produce cheaper heat than can be produced by the planned individual natural gas heat, while at the same time decentralized plants would be able to produce electricity at a very low cost. However the figures were not made public, supposedly at the suggestion of the energy minister.

It is hard for the general public to place confidence in the government's energy policy. After we have a prospect of having the government's conditions for the use of nuclear power met, we won't get nuclear energy while apparently we will get the natural gas project in an uneconomical version.

USSR, FRANCE INTERESTED IN ENERGY DEVELOPMENT PROGRAM

Athens O EKONOMIKOS TAKTERISMOS in Greek 11 Jun 61 p 24

[Article by G. Papanikolaou: "USSR, France Offer to Supply Us With Nuclear Plants"]

[Text] The interest the Soviets have recently shown through their Deputy Minister for Energy Falalayev to sell us electric energy-producing nuclear stations is not the sole nor the most probable objective which could result in gains from a future cooperation in the area of energy between the two countries.

The overall cooperation in the energy sector includes primarily all areas in which cooperation already existed such as the purchase of electric current and additional lignite-using electricity-producing plants; the possible connection of Greece with the Soviet gas pipeline through Bulgaria; the sale of coal-using plants; and the sale of crude oil (Greece imports most of its crude oil from the Soviet Union).

As concerns Soviet cooperation in the nuclear program of the Public Power Corporation [PPC], it is felt that on the basis of today's politico-economic realities such cooperation is rather improbable despite the considerable promotion given by the daily press. The position of the American company KWAKO which is PPC's technical advisor in the area of nuclear power and which, according to reports, has undertaken the design of the nuclear plants to be built in accordance with American safety rules, prejudices to a considerable degree the future of Greek-Soviet cooperation in this sector.

Different Specifications

It should be noted that in the case of the nuclear plant the Soviets installed in Finland the cooperation was also asked of the American Westinghouse Co. which undertook to buttress the reactor with a protective cement casing--something the Soviets do not use for their reactors. In general, the safety rules and specifications for Soviet-type nuclear plants compared to those of a western-type plant are different to such an extent that it is impossible for a Soviet-installed plant to meet the specifications of a western company.

With regard to Falalayev's statement that a nuclear plant with strong anti-seismic construction costs 10 percent more than a regular nuclear plant (TO VIMA, 14 March 1961) it is evident that this estimate (even though not mentioned in

the statement) must be considered rather conservative since, moreover, no mention is made of the relevant degree of earthquake resistance nor of the size of the

0 force. This is so because the increase in the cost of a plant is a function of the 0 force the plant is designed to withstand. This cost, according to estimates of Greek experts, exceeds 20 percent of the construction cost of a regular nuclear plant. These percentages assume greater importance if one bears in mind that the construction cost of a 1,000-megawatt nuclear plant is estimated at 2,000 dollars per kilowatt hour or at 2 billion dollars. We mention these computations which are included in studies of the International Atomic Energy Organization in order to understand that even the smallest percentage increase in the construction cost of a nuclear plant runs into millions of dollars--an expense which is detected rather late and sometimes after construction of the plant begins.

Of course, the political aspect of the matter has its own weight and its significance is unavoidable for such an important technical cooperation which naturally does not concern simply one nuclear plant but will be a prelude to covering the whole DEI nuclear program.

It would naturally be a surprise of international proportions if ever the Greek government despite its known pro-western position decided to open its market in this sector to the Soviets. Perhaps, for such an opening which is compared and partially related to the military assistance given by the superpowers to their satellites, a momentous political shifting by the government decision-making agencies should precede it. This does not appear probable even if another party

comes to power because in such instance the Soviets along with all other possible salemen of nuclear plants will miss the boat since Papandreu has recently stated categorically his opposition to the installation of such plants in our country.

French Interest

Besides the Soviets, the French have also expressed interest in the sale of energy material or for cooperation in this sector. In a recent event organized by the Greek-English Geo Union of Professionals at the National Research Institute under the auspices of the Greek and French Ministere of Industry Manou and Andre Giraud, succinct and in-depth reports were presented on France's recent accomplishments in the energy sector.

The event, whose theme was "a Seminar on France's Energy Policy," lasted 2 days and covered talks by French technical experts and scientists holding high positions in the French energy machine. The speakers covered the whole spectrum of the energy area and the policy followed to cope with existing problems in France as well as in Greece also. The speakers stated that France's energy policy whose aim is to reduce the country's dependence on oil is oriented in three directions:

- a. To improve energy saving and to use it more rationally.
- b. To develop oil energy substitutes (nuclear, coal, new forms of energy).
- c. To decrease the country's dependence on oil by exploring the nations hydrocarbons and by scrutinizing the oil.

The objective of this policy is to achieve reduction of oil use from 53 percent in 1960 to 30 percent in 1990; to bring the contribution of nuclear energy to a level comparable to that of oil or to that of non-oil mineral fuels (30 percent, that is); and to develop the renewable energy sources to a level representing 10 percent of the French 1990 energy budget.

The effort made between 1973 and 1980 succeeded in reducing the oil use from 67 to 53 percent and in increasing the gross industry product to 22 percent despite the moderate increase in energy consumption (+7 percent) and the reduction in oil use (-13 percent).

This information can also be considered as another way of promoting and providing knowledge, means and experiences (at no cost, of course) which the French have acquired during the years their energy policy was formed and which could also be useful to Greece.

This is not unusual, of course, but it should be noted, as was noted by many Greek scientists who participated in the seminar, that particular attention was paid to nuclear energy while other forms of energy and the development they underwent in recent years were presented marginally. Of course, the importance of the necessity for meeting to a degree and on a medium-term basis the increasing energy needs by nuclear energy renders inevitable the participation of our country in some nuclear program. This perhaps is something which it cannot easily avoid.

But the important thing, depending on the particular politico-economic and environmental characteristics of a country, is the percentage participation of each form of energy in covering the general needs and the desired development rate.

It is a fact that the phase the Greek energy infrastructure is experiencing and which needs considerable expansion in the form already announced by the appropriate agencies--the installation, that is, of nuclear and coal-using plants--will become, as it already has in the past (Thatcher visit), an arena where all foreign firms specialized in energy will manifest their interest. It is now an issue (and a problem) for which the Greek authorities will have to make the right choice in a clear way.

7520
C80: 4621/19

FINNISH CAPITAL INVESTMENT IN SWEDISH INDUSTRY INCREASES

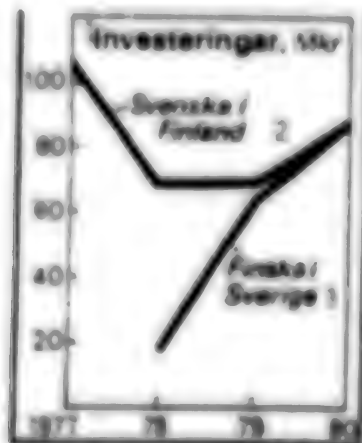
Stockholm SVENSKA DAGBLADET in Swedish 18 Jun 81 p 6

[Article by Bosse Pettersson]

[Text] Finnish capital is flowing into Sweden to an increasing extent. In 1980 for the first time Finnish investments here equalled Swedish investments on the other side of the Gulf of Bothnia.

"Finnish industry is extremely dynamic just now," said Pirkko Lamm, head of the economic policy division of Finland's Industrial Federation. "Investments in manufacturing industries rose 40 percent last year, so it is not surprising that more is also being invested abroad."

But this is also the result of a long-term trend according to Pirkko Lamm. Finland used to have very few multinational firms. Now it is having the necessary internationalization the Swedish economy experienced in the 1950's and 1960's.



Finnish investments in Sweden have risen substantially in recent years.

Key:

- | | |
|--------------------------------------|----------------------------------|
| 1. Investments in millions of kronor | 1. Finnish investments in Sweden |
| 2. Swedish investments in Finland | |

Finnish firms first gained a share of the Swedish market and then gradually the need to get closer to the market led to placing production here.

Positive Attitude

One reason for this development is that the attitude toward capital export has become more positive in Finland, said Pirkko Lamm. In the past many people thought it was wrong for a country so short of capital to build factories abroad.

"This is a good development," said Ulf Dinkenspiel, undersecretary in the Trade Ministry. "Finnish business establishments are very welcome. Foreign investment in Sweden is much too low today."

He said this is good for employment and leads to a valuable transfer of technology. In addition it helps the exchange balance since we avoid importing the products sold in Sweden by the foreign companies.

Better Balance

Ulf Dinkenspiel believes that in the long run we will see a better balance of capital flow between Sweden and Finland. In the 1960's and 1970's many Swedish firms settled in our neighbor country to the east (the textile industry is one example) but now the flow seems to be going in both directions.

On Monday for example the last stage was completed of the big investment program in Sweden by the Finnish Kone concern (which manufactures hoists and cranes). In Rieta outside Stockholm an industrial and office complex worth roughly 25 million kronor was opened up. In all close to 100 million kronor has been invested.

6576

CBO: 3109/214

STATISTICS OFFICE REPORTS INDUSTRY LOST 24,000 JOBS IN YEAR

Copenhagen BERLINGSKE TIDENDE in Danish 25 Jun 81 Part III p 7

[Article by Frank Dahigaard]

[Text] New figures show that 24,000 jobs were lost within the last year.

In the last 12 months 24,000 jobs in industry were shut down. The entire decline hit blue-collar workers, while industry's white-collar employees have managed to hold onto their jobs.

The Industrial Council commented on the new figures from the Danish Bureau of Statistics by saying that we must go all the way back to the years before 1960 to find industrial employment figures as low as the current ones.

The new figures show that in the 12-month period March 1980-March 1981 approximately 24,000 jobs closed in industry alone, the equivalent of having one out of every 11 industrial workers leave his job in the last year.

Employment declines have been worst in the branches of industry closely tied to the crisis-ridden construction sector. In the 12-month period referred to above, employment has fallen as much as 17 percent in the stone, clay and glass industry and 9 percent in the wood and furniture industry.

The huge iron and metals industry which accounts for 40 percent of all industrial jobs has lost 14 percent of its workers in the last year.

According to the latest figures 153,800 workers and employees work in industry. That is a decline of 80,000 workers compared to the situation before the economic crisis.

In the summer of 1973 there were no less than 433,5000 industrial workers. In the last 8 crisis years almost one in five industrial jobs disappeared.

But the reason why total employment has grown in recent years despite this has to do with the number of people employed by the state.

4/78

OM: 1106/137

ECONOMIC REPORT BY BANK OF GREECE ANALYZED

Athens O OIKONOMIKOS TAKTYDRONOS in Greek 11 Jun 61 p 23

[Article by Professor D. I. Delivannis: "The Danaides' Vessel and the Bank of Greece"]

[Text] Each year for several years now, the Greek economy has experienced greater and more severe inflation than the countries with which Greece has significant economic relations. The impact of this situation on the country's balance of payments is as obvious as it is acute but, fortunately, until now it has been offset by the inflow of capital from Greeks abroad. The transfer of capital for investment by foreign enterprises, banks and private citizens was considerably curtailed by the unilateral revision after 1974 of legally concluded agreements during the 7-year period of the dictatorship; by the intensity of the strikes and the increase in earnings but not the productivity of the working people; and, finally, by the continual deterioration of the state machine. The major inflation-creating factors in Greece are the increase each year in the deficit of the public sector and to a large extent the unorthodox way this deficit is covered.

In view of the above and of the comments made when the Bank of Greece balance sheet was published on 31 December 1980, the reader is sufficiently prepared for reading the report by the bank's governor [X. Zolotas] on its 1980 activities. But this year also, the reader will not find additional information on the bank's assets and liabilities nor on the causes for its considerable 1980 losses, which deprived the Greek state of sharing the profits. The governor of the Bank of Greece bears the responsibility for not restraining the government from the dangerous downhill slide on which it leads the Greek economy with its excessive deficits and the fast rate of its borrowings. Accordingly, one can pinpoint in this report:

- a. Data on the Greek economy.
- b. Points of the report with which this writer agrees.
- c. Points with which he disagrees.

The report data on the Greek economy concern the 1980 deficit of the balance of payments and trade; the development of the public finances and especially the deficit of the public sector; the increase in bank deposits since the summer of 1980; the excessive financing of the public and private sectors by the Bank of Greece; and, finally, the unsatisfactory activity of the Athens Stock Exchange.

With regard to our transactions abroad, the deficit of the current balance of payments reached 2.2 billion dollars in 1980 compared to 1.9 billion dollars in 1979. Despite the increase in the cost of imported fuels and lubricants by 0.6 billion dollars, the imports of industrial consumer goods decreased by 14 percent, from 7.6 to 2.3 billion dollars. The trade terms improved in favor of Greece by 3.4 percent while the rate of increase of exports dropped from 31 percent to 4 percent. But the increase in the cost of exported industrial products reached 15 percent and as a result these products represented 55 percent of the total exports. Finally, any difficulty in exporting these products was not due to the inadequacy of production installations but perhaps to the excessive prices.

With regard to public finances, the report points out that the number of the civil servants increased by 3.7 percent, while that of legal Entities of Public Law increased by 3.4 percent despite the ostensible freeze in hiring. The financing (granting of loans and/or credits) deficit of the public sector worsened, rising significantly from 9) to 158 billion drachmas. On the contrary, the 1980 financing deficit of the private sector decreased by 21 billion drachmas compared to an increase of 13 billion drachmas in 1980. This 1980 decrease was achieved thanks to the considerable increase in private bank deposits and allowed an increase of credits to the private sector by 142 billion [drachmas]. Thus, for the second time since 1955 Zolotas was very successful in attracting deposits to the banking system. Finally, with regard to the Athens Stock Exchange, the report cites information on its unsatisfactory 1980 developments (drop in trading by 32 percent despite the decrease by 26 percent in the intrinsic value of the drachma).

The report contains several views which, for the first time as far as I know, are supported by the Bank of Greece governor--views which I always fostered. They concern the fact 1) that no margins exist for expanding fiscal, monetary and incomes policy, 2) that inflation must be reduced in order to decrease the balance of payments deficit, 3) that the counter-incentives as legislated and implemented must be completely eliminated, 4) that the high interest rates--which, I would say, are equal to the inflation percentage--are imperative not only for checking the irrational expansion of credit requests but also for attracting and retaining foreign and domestic capital, 5) that "housekeeping" in the public sector is necessary as concerns current expenditures as well as investments and also as concerns the absorption of 37 percent of the new deposits through interest-bearing bonds, 6) that the increases in salaries and wages exceed those of the consumer price index as well as those of productivity, 7) that it is necessary to restructure our administrative machine following Greece's induction into EEC, 8) that support of the building sector is indispensable (but I would say that such support should not be in the form of credits at the expense of the issuing privilege but by improving the unprecedented fiscal misuse of the transfers and construction incomes), and 9) that the liberalisation of prices is sound.

I would like now to cite some of my disagreements with the report. I do not believe that the banks are in a position to undertake profitable industrial investments. This is a function of the entrepreneurs. The abstention of foreign capital from investments in Greece was caused by the government's unilateral revision since 1974 of the agreements signed during the dictatorship years. Unfortunately, the Bank of Greece governor was not able or did not want to intervene in this matter. Besides, he is highly responsible for all financing by

the Bank of Greece, as well as for the waste and excesses in the case of public investments and moreover in the case of public enterprises. For this reason, I do not agree with law 1116/81 unless the financing of investments within the law's framework is made from the proceeds of bank-issued debentures but not from the debenture-issuing privilege.

The report recommends that the government, the Legal Entities of Public Law and the public enterprises borrow money from the capital market rather than from banks. But its authors are forgetting that no one in the market is willing to lend them (government, enterprises, etc.) money. The same authors are concerned that the increase in interest rates on deposits limits the amounts the Agricultural Bank, the Hellenic Industrial Development Bank and others could borrow. They too are forced to pay higher interest rates since in 1981 any interest rate below the inflation percentage is negative and all loans favor the borrower at the expense of the creditors.

Finally, as I have repeatedly said, I disagree with the policy followed since 1974 on foreign exchange parity. It has strengthened inflation significantly and has led the government to believe that the waste in the state machinery and public investments is ostensibly offset by the foreign exchange parity. Unfortunately, the report does not recommend that the government reduce by at least 80 percent investments by Legal Entities of Public Law and various enterprises--except as such investments concern defense and the border areas--until inflation drops at least by 50 percent; otherwise, our induction into ESC may lead us into great difficulties. Our time frame is limited. Startling measures are needed for greater efficiency in order to fight the two greatest threats in the economic and fiscal sectors and also the inflation mentality. It is also urgent to reorganize and improve the state machine. But such steps are ruled out during the pre-election period.

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C90: 4621/17

INVESTMENT INTEREST RATES LOWERED

Athens EPIKAIRA in Greek 11-17 Jun 81 pp 22, 23

[Article by G. Katsoulis: "Interest Rates and Construction Show an Upturn"]

[Text] After disagreements--almost open-- the Currency Committee finally reached the decision last week to lower by two points the interest rate on bank loans for capital transactions (in industry, trade, etc.) and on time deposits (of at least 1 year). The Bank of Greece governor and the minister of industry--both members of the Currency Committee--did not sign the decision while the governor of the National Bank of Greece, who as president of the Union of Greek Banks was usually invited to Currency Committee meetings, was informed of the decisions from reporters.

Thus, Minister of Coordination Giannis Palaiokrassas who chaired the Currency Committee meeting last Thursday untied the "Gordian Knot" of the continuous disagreement on the question of interest rates. "Even a bad solution is always more preferable than uncertainty even though in my opinion the solution given is not bad," said one of the ministers who signed the decision. The decision was dictated "by the need to strengthen the productive activity in order to offset the impact of continued inflation especially after the drop in the financing costs" (Palaiokrassas). However, the day after the decision was taken, the opposition branded it as "a continuation of the spasmodic and unprogrammed measures the government takes to cope with the economic crisis it itself created" (Papandreu).

In any case, the Chamber of Commerce and Industry approved the decision as "an acceptance and vindication of the documented suggestions by the working classes" and as "the beginning of the downslide of interest rates which should accompany the downward trend of inflation" (Kfrainoglou).

The 100 Problematical Industries

Anyway, the "stimulating intention" behind the Currency Committee's recent measures which aim at stimulating industry and construction is clearly evident. For industry which because of the high cost of money invoked "the survival principle" for many of its units, the two-point decrease (from 23.5 to 21.5 percent) in the interest rate for working capital as of 1 June 1981 is an important relief. At the same time, it removes--rather definitely--any thought of "special measures" for the 100 (only?) "problematical" industries.

A senior officer of the National Bank of Greece who estimated the decision's impact on the bank at 2 to 2.5 billion drachmas said: "Such measures presuppose the existence of similar margins for the bank's fiscal profit which is almost wiped out by the [two-point] decrease. This decrease in the interest rate for large amount deposits does not compensate for adverse results because all time deposits made until now will receive the agreed upon (higher by two points) interest rate until the day of their maturity. However," he concluded, "a small increase by 0.5 percent might offset most of the consequences."

The interest rates for time deposits are supposed to be, as of 1 June 81, freely negotiable between depositors and banks at a margin of between 16 and 20 percent. However, the Union of Greek Banks fixed uniform interest rates for large time deposits of 1 year minimum period as follows:

100,000 to 500,000 drachmas	16 percent interest rate
500,001 to 1,000,000 "	17 " " "
1,000,001 to 3,000,000 "	19 " " "
3,000,001 and over "	20 " " "

For new bank debentures also the interest rate is decreased from 23 to 21 percent. The interest rates for deposits in savings banks (13.5 percent) remain unchanged. Unchanged also remain the interest rates for loans for exports (10.5 percent), for loans to handicraft industries (14 percent) and long-term loans (16.5 percent).

4 Billion for Construction

The second important measure the Currency Committee adopted--always having in mind the economic upturn--is the strengthening of the construction industry through loan granting. The loans granted for housing for the period until the end of the year increased by 4 billion drachmas (from 24.6 to 28.6 billion drachmas) while the interest rate for such loans decreased by one point (from 18 to 17 percent and less for loans to special categories). The above measure applies only to agreements signed after 5 June 1981.

One more important thing: After many years, the granting of loans for housing is resumed again. Specifically, the National Land Bank of Greece will grant construction loans for 5.5 years (of which 1.5 years represents a grace period). These loans can be paid up in 18 6-month installments at an interest rate of 16.5 percent. They can reach 50 percent of the house's value and will be granted for new as well as for the completion of unfinished houses. In cases of housing projects of 100 or more units the period for paying up the loan is 6 years (with a 3-year grace period).

Tax Exemptions

At the same time, Finance Minister Milt. Evert announced the government's intention to lower the taxation rates for personal incomes and to raise the exemption limits for 1982 incomes. He left open the possibility for raising such limits for the 1981 incomes also. He pointed out, however, that it all depends "on the progress of the economy, the budget possibilities and on price index developments." He ruled out an automatic price index readjustment of the tax scale and reduction of the tax on automobiles.

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CSO: 4621/18

SOCIALISTS OFFER ALTERNATE ECONOMIC CRISIS PLAN

Stockholm SVENSKA DAGBLADET in Swedish 18 Jun 81 pp 1, 6

[Article by Willy Silberstein]

[Text] The Social Democrats want to straighten out the Swedish economy with a price freeze, higher taxes on luxury items, more coal power, a reform halt in the state sector and an appreciation in the value of the Swedish krona.

The Social Democrats presented their crisis program for the nation's economy on Wednesday.

"What is needed," said Ingvar Carlsson when he started off a press conference, "is a unified attack to deal with three very serious problems: Sweden's large deficit, the high price rises and the difficulties of Swedish industry."

If the Social Democrats win the election next year they intend to introduce a general and very restrictive price freeze. After 6 to 12 months this might be gradually phased into a strict price supervision system with those wishing to raise prices required to give notice in advance.

Another way to get a grip on inflation according to the Social Democratic formula is to hold consultations with the labor market factions before negotiations begin. The Social Democrats feel this should be combined with a profit distribution system in order to achieve distribution fairness.

There isn't enough money for reforms in the state sector in the view of the Social Democrats who also want to limit increases in municipal activity to 2 percent. Increases would go primarily to services for children and the elderly.

Kjell-Olof Feldt, the Social Democrats' leading spokesman on economic issues, warmly advocated supporting Swedish industry. More public spending should go into Swedish firms. The Social Democrats also want to create a Swedish market council that would work to replace imports with Swedish products.

To reduce the very steep oil bill the Social Democrats advocate a broad emphasis on coal energy--in combination with strict environmental safeguards.

Various campaigns would also involve individual citizens in saving the Swedish economy--students and teachers must be more careful with school equipment. Vandals on subway and buses must stop. We must take our vacations in Sweden.

Will Take a Long Time

It will take a long time to straighten out the economy even with the Social Democratic formula, Kjell-Olof Feldt admitted.

After the first half of the 1960's production developments may have been guided into the right channels. But in certain areas the problems will not be overcome before the end of this decade.

Bure Mullin of LO [Swedish Federation of Trade Unions] who also helped prepare the Social Democratic economic program did not believe a wage freeze was needed.

"But there is very little room for increases in real wages. Only those who are well off will be able to improve their purchasing power."

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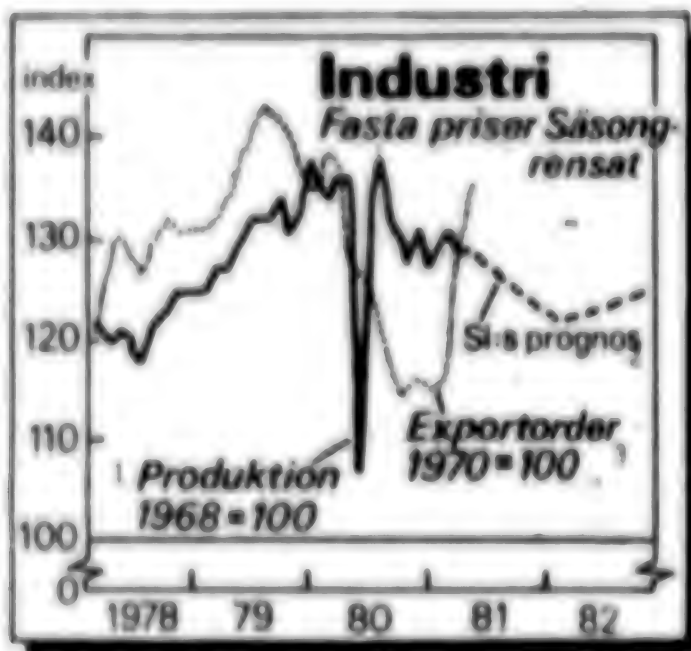
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INDUSTRY FEDERATION ISSUES NEW, MORE PESSIMISTIC FORECAST

Stockholm SVENSKA DAGBLADET in Swedish 18 Jun 81 p 6

[Article by Olle Fahlen]

[Text] Yesterday the Federation of Swedish Industries issued a very gloomy outlook for the Swedish market. It also said the government had already lost its chance to do something to influence developments over the next 15-18 months.



Industry. Fixed prices, seasonally adjusted

Industrial production has stopped declining and export orders received are rising very rapidly. Even so the Federation of Swedish Industries believes production will decline sometime next year.

Key:

1. Production, 1968 = 100
2. Federation forecast

3. Export orders, 1970 = 100

While other analysts talk about an improvement of both the international and the Swedish markets by fall, federation economists see only a continued decline.

The world market was relatively strong early in the year but will be weaker at least in the second and third quarters of this year. A lasting recovery won't come until the end of the year at the earliest and it will be a weak one.

Cost increases and the big changes in the exchange rate will lead to a further deterioration of the international competitiveness of Swedish industry. Our share of foreign markets will fall 2-3 percent in both 1981 and 1982.

Private consumption, industrial investments and home construction will decline in volume in both 1981 and 1982. This is also true of industrial production and total production (GNP).

Unemployment--which still lies at 2 percent--will rise to an average of 2.7 percent in 1981 and 4 percent in 1982. That corresponds to roughly 175,000 people.

Imbalance Rising

Despite all this misery the balance problem in the Swedish economy will only get worse. It is true that exports are declining more slowly than imports this year and will rise more quickly next year but the deficit in the balance of trade will still climb. From 21.6 billion kronor last year it is expected to rise to 22 billion this year and to more than 25 billion kronor in 1982.

The inflation rate will also remain high. In the last 12 months consumer prices have risen 13.7 percent and according to the federation this figure will only fall to 12 percent by December. This means the price ceiling in the LO/SAP [Swedish Federation of Trade Unions/Swedish Employers' Confederation] agreement, 9.5 percent, could be exceeded early this fall.

The report by the Federation of Swedish Industries appears very pessimistic when compared to other forecasts as well as to developments so far this year. Yesterday SCA [Swedish Central Statistical Bureau] released statistics over industrial production and orders received (see graph). They show that while production volume has declined from the top level in early 1980 it has stayed at a very stable level ever since early fall.

Exports Up

Export orders have increased sharply since the beginning of the year. Figured in fixed prices they were 12 percent higher in April than the level in that month a year ago.

While much of the increase can be explained by high increase figures for shipbuilding, automobiles and paper products, the export plans of individual firms are more expansive than the federation forecast assumes. But developments in the first 3 months of the year do suggest a certain volume decline in exports this year.

Market Master

The Federation's market forecasts have often turned out to be very penetrating. Some have called the Federation's chief economist, Olof Virin, the Swedish master of market analysis. Therefore there is every reason to take this forecast seriously even though our first impression may be that it paints a very dark picture of the next 2 years. Above all one should expect such a long and widespread market decline as the one predicted to have certain effects in the form of reducing the inflation rate and improving the balance of trade.

At the same time there should still be some measures that could improve developments. But the report does not go into what might be gained from such things as a devaluation, lower employer taxes or a general wage freeze. Some of these ought to rapidly improve competitiveness, increase export prospects and accelerate growth.

Federation of Swedish Industries, Forecast for Sweden--Balance of Resources and Key Data

Area	Percentage Volume Changes	
	1981	1982
Private consumption	-2.5	-0.5
Public consumption	1.9	0.7
Gross investments	-4.9	-2.0
Inventory investment	-0.9	-0.2
Foreign trade	1.5	0.3
Gross National Product	-1.1	-0.3
Industrial production	-3.0	-0.5
Industrial investments	-6.0	-3.5
Housing construction	-7.5	-2.5
Exports	-2.3	1.3
Imports	-7.5	0.5
Trade balance, billions of kronor	-7.2	-7.3
Terms of trade, billions of kronor	-22.0	-25.4
Consumer prices	13.0	9.0
Percentage of unemployment	2.7	4.0

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CSD: 9109/214

BRIEFS

BERGMAN ATTACKS SOCIALIST PLAN--"The plan of the Social Democratic crisis group will lead to increased state budget deficits and trade balance deficits. This will further aggravate the crisis," he said Conservative leader Gosta Bohman in a comment on the Social Democrats' crisis program. "The main emphasis of any program claiming to deal with the crisis must be to stop increased deficits and foreign borrowing. The fact that they are now increasing these items further means that they have deliberately chosen to widen the gap. It's an incomprehensible policy," Gosta Bohman said. Despite his sharp criticism Gosta Bohman was able to find some positive elements in the Social Democratic crisis program. "One of the most positive factors is the top priority given to combating price increases, something we Conservatives have called for over a long period of time. But this cannot be accomplished if one counts on deficits rising in the way assumed by the crisis group." Liberal Party leader Ole Ulsten criticized large parts of the Social Democratic crisis program in a commentary: "It is marked by the same unrealistic overbidding policy that has been pursued for 5 years. The Social Democratic proposal will lead to larger budget deficits and thus a higher inflation rate while leading us into a socialistic fund and regulation society." With regard to proposed investments in the energy sector and road construction Ole Ulsten said this was in line with Liberal desires. [Text] [Stockholm SVENSKA DAGBLADET in Swedish 16 Jun 81 p 6] 6578

CSD: 3109/214

'MILLIYET'S' BIRAND EXAMINES RELATIONS WITH IMF

Istanbul MILLIYET in Turkish 5 Jun 81 p 9

[Article by M. Ali Birand in the column "They and We": "Crossroads in IMF Relations"]

[Text] The talks being held with the International Monetary Fund in Ankara are, on the scale of interest shown by the press, very important stuff. From another angle, the ability of Turkey's economic program to avoid failure next year depends largely on the unity of view reached with the IMF delegation, on the report it gives upon its return and on the efforts which will be undertaken come fall.

So...

General opinion at IMF headquarters in Washington -- as we mentioned last week -- is that the first year of the agreement with Turkey was a "successful year." For the first time, the IMF devised a 3-year program and opened its largest credit with a developing country. Should the "Turkish example" not perform as expected, it could adversely affect the organization's prestige and its programs for other countries. Despite tremendous difficulties at the outset, Turkish-IMF relations are proceeding well enough at this stage to be shown to others as an example.

However, they have now come to a crossroads.

The views of those making the decisions at headquarters in Washington and of those conducting the effort are going two separate ways at this point.

Authorities on the delegation in Turkey today, including Fund chief Larosiere, are people who feel that the crossroads has been reached and certain things should be done to prevent blocking the way.

According to those who hold this view, the two most important conditions, among others, for the first year's success of the Turkish program to continue next year are:

1. The IMF no longer has any significant contribution to make to Turkey as to credit. It is now necessary, therefore, for the organizations which guarantee exports, for instance, to step in along with the foreign banks and other financial circles. The program will run into difficulties next year unless the "vital" elements are prodded into action by the fall. These include expansion of credit to Turkey by foreign banks or of Turkish Central Bank's provisions, getting

organizations which guarantee companies making exports to Turkey to step in as before, the opening of broad commercial credits and foreign investment. These are vital because it is clear that OECD credits are going to be a great deal less in 1982. Moreover, the Turkish economy cannot be given the stimulation it needs with state credits, which are only a drop in the bucket. Even so, the market is tight and new stimulation, if only a little, is imperative.

2. Pressure on the Turkish public, which has been tightening its belt for a long time, and on business circles, struggling in a recession growing perilous, must be relieved a little without stimulating inflation. They must be given some feeling of reward for their efforts so far, and that means the money supply must be increased a little.

If these things are not realized explosions may occur, and this would be a blow to the Fund. Both Turkey and the Fund have to work hard in order that they may be realized. A campaign must be launched to get the international market interested and Central Bank credits must also be made more flexible.

Those who hold these initial views, however, are opposed by the others. Especially America, which is influential in the IMF executive committee, and certain other nations hold that the Turkish economy has started getting back on the right track and the present tight money policy must be maintained for another year. Those who hold this view say, "The military do not have to worry about votes. We will have a hard time getting things done when democracy is restored," and believe that the administration must wring every advantage out of the opportunities at hand. Unfortunately, what these circles do not understand is that Turkey is not a Latin American country and that the army cannot shut its eyes and forge ahead in these matters. This is why the Ankara talks are so important. If the IMF delegation can be made to understand the dimensions of the pressure on the Turkish public and to accept the need for some flexibility without stimulating inflation, one of the conditions will be met. The other one, however, is how successfully the new practices in Turkey can be explained in international forums, and a lot of this depends on us.

A great deal of lobbying, publicity and propaganda is taking place with regard to Cyprus and the Aegean, but to date there has been no publicity effort -- outside of Ozal's -- directed toward credit circles. The knife is at our throat. Our days are numbered. If we get no foreign credit, all our efforts to date will be in vain. There is not much difference between explaining to credit circles what is happening and what has happened in Turkey and other publicity campaigns. Especially effective would be articles in the newspapers and trade journals read by credit circles, not to mention the positive OECD and IMF reports.

If we're late on this one, it's going to hurt a little.

8349

ESN: 4654/15

OBJECTIONS RAISED TO ENERGY INDUSTRY AGREEMENT

Istanbul CUMHURİYET in Turkish 8 Jun 81 pp 1, 9

[Text] Ankara (CUMHURİYET BUREAU) -- Management representatives on the Supreme Arbitration Council (SAC) are objecting to initiatives to expand collective labor contracts at the labor level and the request made by the Council of Ministers for the energy industry is causing conflict, it was learned.

SAC debates have begun on the request by the independent ENERJİ-İS Federation [federation of energy workers unions] to extend the contract signed by the TÜRK-İS [Turkish Confederation of Labor] union TES-İS [Federation of Turkish Energy, Water and Gas Workers Unions] throughout the industry. The collective labor agreements concluded earlier at Turkish Electric Power Enterprise (TEK) and State Hydraulic Affairs (DSİ) workplaces by the ENERJİ-İS [energy workers union], an affiliate of the independent federation of energy workers unions, expired on 1 November 1979 and 1 March 1980, but new contracts were unable to be concluded before 12 September 1980. In contrast, TÜRK-İS' TES-İS concluded an industry-wide contract to run for 2 years from 1 March 1980.

The federation of energy workers unions appealed to the SAC to have the contracts at the abovementioned workplaces restored, effective after 12 September 1980. The SAC reported that according to an earlier decision the contract was still in effect and denied the federation's request.

Meanwhile, the Council of Ministers took up the matter at the federation's request and called for revision of the labor contract signed by TES-İS and expansion of it throughout the industry.

During the discussion at the SAC, management representatives said they would oppose expansion as requested by the Council of Ministers.

The management representatives contend that unity of view on this matter could not be reached in the SAC and that Law No 2354 for the compulsory restoration of collective labor agreements does not allow such an implementation.

Meanwhile, Nuri Simsek, president of the federation of energy workers unions, expressed his views as follows:

"I do not know how the Council of Ministers will enforce inclusive implementation. We will make initiatives as to new authority on inclusion according to the expiration date of the TES-18 contract now in effect and merging it with the DSI and TER contracts. We discussed it with the SAC. Chairman Naci Varlik told us plainly that no one will lose his authority. But the Council of Ministers will have the final say. The management representatives' objections to inclusive implementation are not important. Our member workers are still being paid under 1979-1980 conditions."

8349

CNO: 4634/8

THREE PERCENT GROWTH RATE PROPOSED FOR 1981

Istanbul MILLIYET in Turkish 5 Jun 81 p 11

[Text] Ankara, Special -- The "Fourth Five-Year Development Plan 1981 Program" has entered into effect with publication yesterday in the RESMI GAZETE.

The program states that a major principle is development of employment consonant with increases achieved in exportation and production and says, "The principal goal of the economic stabilization program is to restore to the economy a structure which will need no outside support. This goal may be achieved only in the medium term as the result of serious and determined efforts which take 4 to 5 years." The program contains the following views, in part:

"Effective use of the policy to fight inflation and oversight of monetary growth will continue. The economy will be managed consistently with decisions taken at the macro level, determination of prices according to free market rules will be basic, and practices inhibiting operation of the market mechanism will be avoided. Holding the rate of price increases at around 40 percent is considered possible through pursuit of the stabilization measures. Increases are expected in 1981 of 29.6 percent in sales abroad and 20 percent in worker income."

According to principles set forth in the 1981 program, this year's rate of development will be 3 percent. The goals set in order to achieve this rate are to raise imports to \$9 billion from the \$6.9 billion of 1980 and exports to \$3.5 billion from \$2.7 billion. Developments expected to occur in the Turkish economy this year are summarized as follows in the "General Balance in Economic Goals" section of the annual program:

"The 1981 GNP goal is 4,234 trillion liras, a 3 percent increase at 1980 prices, which will consist of 22.9 percent public spending and 77.1 percent private spending. As the result of adjustments in the tax laws, public spending will rise 44.8 percent while private spending will decline 5.1 percent. Consumption will account for 344.2 billion liras of the 969.1 billion liras at 1980 prices set as public spending in the program, with 429.9 billion liras going for savings.

"The goal for total resources in 1981 is a 3.4 percent increase to 4,457 trillion liras at 1980 prices. Total resources will consist of 95 percent GNP and 5 percent foreign resources. The foreign deficit in 1981 is expected to increase by 9.6 percent.

"Projected total investments for the same period are 922.6 billion liras, a 5.5 percent increase at 1980 prices. Total consumption in 1981 is expected to rise by 2.8 percent. Public investments account for 60.8 percent of total investments and private investments, 39.8 percent."

According to information contained in the 1981 program, priority will go to infrastructure investments in energy, mining, agriculture, transportation, communications and economic and social development.

8349

CSO: 4654/15

STATUS OF SAVINGS ACCOUNTS REVIEWED

Istanbul CUMHURİYET in Turkish 10 Jun 81 p 5

[Text] Ankara (ANKA) The sum of deposits at eight private banks had passed the 500 billion lira mark as of the end of the third week of May. Deposits at these banks, which totaled 395.8 billion lira at the beginning of this year, had increased by 105 billion lira in the period up until 22 May to 500.9 billion lira.

It was expected that the group of banks, comprised of İa Bankası, Akbank, Garanti Bankası, Yapi ve Kredi Bankası, Pamukbank, Türk Ticaret Bankası, İstanbul Bankası and Sakerbank, would profit from the surge in withdrawals at other banks following the increase in interest rates. The share of time savings deposits held at these banks one year ago was 21.9 percent of the total deposits of the eight private banks, but by the start of this year it has risen to 25.8 percent and to 36 percent by 22 May.

In this connection, it has been determined that the aforementioned bank group, which held 60 percent of all savings deposits at this same time last year, has increased this share as well to 61.3 percent as of 22 May.

Furthermore, it has been established that savings deposits at all banks had, at the end of the third week of May, reached 487.4 billion lira of which 291.8 billion lira was time deposits and 195.6 billion lira demand deposits. This means that since the start of the year total savings deposits have shown an increase rate of 39.2 percent. For the same period last year the increase rate was 8.5 percent.

Deposit Certificates

The total of deposit certificates held at banks also increased by 1.6 billion lira in the third week of May to reach 54.7 billion lira.

The banks, which had accumulated 17.0 billion lira worth of savings by means of the deposit certificates in the period beginning July 1980, when the deposit certificates went into effect, up to the end of December, maintained a high increase rate in the first months of 1981. The deposit certificates showed an increase of 6.9 billion lira in January with the highest total increase being 10.9 billion lira in February. Despite the drop in the monthly amounts after

February, total deposit certificates held at banks continued their increase with 7.1 billion lira in March, 6.4 billion lira in April and 5.6 billion lira in the first three weeks of May. It has therefore been determined that the banks have amassed a 36.8 billion lira total in "anonymous accounts" during the first 20 weeks of this year.

It is anticipated that the deposit banks will secure 885.1 billion lira in credit based on the 881.7 billion lira in deposits they have garnered. According to calculations that have been made, deposit banks have taken in a total of 195.9 billion lira in savings during the first 20 weeks of this year and have used 206.8 billion lira in credit. It is expected that credit requests from banks will tend to increase more rapidly than deposits are taken in, in spite of complaints that interest rates are high.

The distribution of credits among deposit banks will be as follows: public deposit banks--464.2 billion lira, the top eight private banks--363.2 billion lira, other private banks--20.1 billion lira, foreign banks--17.6 billion lira.

9236

CSO: 4654/25

PERSONNEL, WAGE POLICIES FOR SEE'S DISCLOSED

Istanbul MILLI GAZETE in Turkish 6 Jun 81 pp 1, 7

[Text] Ankara (AA) -- The State Economic Enterprises (SEE) will make a fixed capital investment of 317.3 billion liras in 1981.

According to information obtained, the SEE will need financing resources of 351.3 billion liras from domestic and foreign sources in order to achieve the production and investment levels projected for 1981. It was learned that there is a 35 billion-lira difference between the SEE's total resources this year and the payments they have to make and that only 251.3 billion liras are secured through the budget.

Revisions are also being made this year to improve SEE efficiency and productivity. Limited terms for administrators will be introduced in operations units, and placing priority on increased productivity and the reduction of costs to a minimum will be basic. Weight will be given to self-monitoring by the SEE of costs, productivity, quality, financing, stock control and such. Maximum attention will be focused on the rules of productive management in the selection of SEE administrators and wage regulation.

According to information obtained by our AA [Anatolian Agency] correspondent, an interoperational award system based on production will be set up. The hiring structure will also be made compatible with production volume for this.

No new personnel will be hired except the necessary qualified personnel for critical production units and existing personnel will be used first in newly started up operations. Regulations prohibiting these practices will not be placed in collective labor agreements.

To prevent disruption of investment and financing programs, SEE's will pay their debts to the Treasury, to the Central Bank and to each other without fail. Priority will be given to market conditions as well as the principle of covering costs in setting prices of the goods produced.

The sale of foreign exchange State Investment Bank and SEE bonds is being looked into.

Equal pay for equal work arrangements are being set up to prevent the loss of qualified personnel employed in the SEE's to the private sector.

Foreign project credits allocated to the SEE's will be handled by the State Investment Bank. Transfers earmarked for investment to be made from the budget to the SEE's will be handled through State Investment Bank channels at the profitable enterprises.

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(BO) 4634/6

STATE ECONOMIC ENTERPRISES LOAN NEEDS EXAMINED

Istanbul DUNYA in Turkish 5 Jun 81 p 1

[Text] Ankara -- The total financing requirement for the public sector in 1981 is projected as 161 billion liras. Fifty-eight billion liras of the financing requirement is expected to originate in the budget deficit and 103 billion liras in the SEE (State Economic Enterprises) financing deficits.

The theory behind the 1981 Public Financing Balance goal is that a serious improvement will be achieved over the 240 billion-lira deficit of 1980. The theory in this context is that no use at all will be made of Central Bank resources for covering the budget deficit, projected as 58 billion liras. For the SEE, however, a 40 billion-lira transfer from the Central Bank is envisaged.

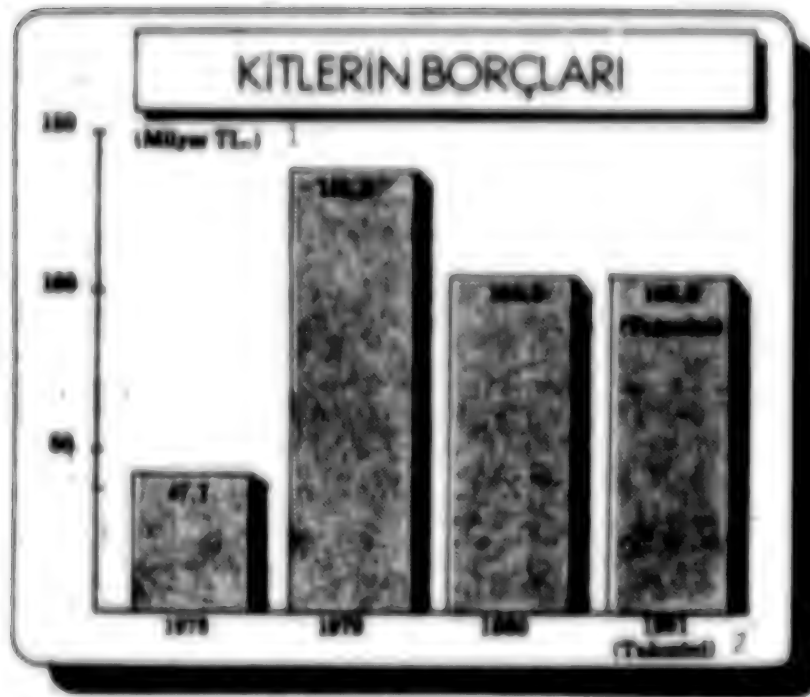
The 1980 public sector deficit of 240 billion liras represented a 36 percent increase over the 177 billion-lira deficit of 1979. The deficit increase originates entirely in the budget.

The budget's 1979 financing requirement of 46 billion liras rose to 137 billion liras in 1980, while the SEE deficit dropped from 131 billion liras to 103 billion liras.

Of the 1980 public financing requirement, 161 billion liras was covered by the Central Bank. While 63 billion liras was obtained from the sale of State bonds and Treasury bills, 42 billion liras came from foreign borrowing. Among the financing sources of the rest was realization of a 26 billion-lira bank payment.

Data on the financing of the public sector deficit show a steady increase in past years in using the Central Bank as a source. Central Bank resources used in 1978 were 47.2 billion liras and 89 billion liras in 1979, rising to 161 billion liras in 1980.

SEE Debt



Key:

1. Billions of Turkish liras
2. Estimated

8149

(30) 6654/10

EXPORTS NOT SEEN AS SOLE ECONOMIC REMEDY

Istanbul DUNYA in Turkish 6 Jun 81 p 1.

[Text] Ekiisohir (HURRIYET NEWS AGENCY) -- A statement released by the Ekiisohir Chamber of Industry [COI] describes the dimensions and nature of the economic crisis in which Turkey finds itself as complete, stating that ways to resolve the problem must be found and says, "Exportation alone is not enough to resolve the crisis."

A statement published in the Ekiisohir COI's biweekly HABER BULTENI contends that in seeking solutions, some should be given priority and measures taken accordingly, and expresses the following views, in part:

"Looking at the measures taken and practices instituted, one sees that today as always magic solutions are offered without appraising the economy's problems in all their dimensions, and a great many things are expected of them. The magic solution on the agenda today is exports. Almost everywhere, one hears that the way out of the slump in the Turkish economy is exports and is told that exports will solve the problem.

"Turkish industry is struggling today to survive in an extraordinary slump; industrial establishments are fighting a tight squeeze on operating capital for a number of reasons, while raw material stocks give way to stocks of finished products as a result of reduced domestic demand. Meanwhile, increased stocks in certain sectors are causing lowered production, while growing domestic and foreign credit costs act as a deterrent to enterprise. It is almost impossible for Turkish industry to find a place on foreign markets with its present infrastructure."

Exports 6 Percent of Total Production

The Ekiisohir COI statement points out the important effects of lagging technology and high manufacturing costs on imports and says:

"Even if all the obstacles are overcome and industrial establishments faced with steadily growing stocks resulting from reduced domestic demand manage to increase their sales abroad by 100 percent as compared to a year ago, this will still be only 6 percent or 7 percent of total production. The remaining 93 percent or thereabouts still has to be sold on the home markets. In this situation, to expect an export boom in almost every sector, believing that this will solve all

the problems while neglecting other things, will not do anything for the Turkish economy or solve the problems of industry. It is necessary to give priority to sectors such as construction and machinery production and energy and to revitalize them with financial and physical encouragement. There can be no question of exports in a climate where unit costs do not go down because production does not go up. And even if there is, it lacks continuity. What is necessary is revitalization of stalled investing, serious planning to put State Economic Enterprises resources into priority sectors and the creation of new employment opportunities. Seeking the remedy to the crisis in industry in exports alone is unrealistic. In the short term, we must not pin too many hopes on exports, expecting them to do magic, nor is it necessary to give up on them altogether."

Meanwhile, Deputy Prime Minister Turgut Ozal's recent suggestion that industrialists should "sell their villas" as a solution to industry's financing difficulties was criticized by the Halkinlar GOK. Though describing the call to turn durable wealth into cash for operating capital as a "positive development," the Halkinlar GOK said, "But this is obviously not a practical solution."

The Halkinlar GOK pointed out that the most important positive aspect of the suggestion to "sell your villas" was that it made clear how the dimensions of the crisis in industry have now surpassed the dimensions of last year and said:

"As will be recalled, the suggestion to industrialists to eliminate operational financing problems last year was to sell 'your wives' bracelets.' If the proposal this year is to 'sell your villas,' this is seen to be admission of serious escalation of the money crisis in industry with the proposal's being made accordingly. However, the troubling point is what industrialists will have left to sell next year."

The Halkinlar GOK contends that entrepreneurs in Turkey are dipping heavily into net assets for operating capital, that it is a fact recognized by everyone that there has been no significant capital accumulation since the Republic was founded and that recent periods of inflation have increased the need for capital, especially operating capital.

The Halkinlar GOK continued as follows on this topic:

"It is clear in this situation that raising net assets is not an adequate solution. In other words, it is impossible for our industrialists to overcome their financing difficulties by selling their villas or their bracelets. A choice must be made. Either credit sources must be found at conditions compatible with the industrialization principle of development planning or we will have to ignore the clang of the gates as they close especially on the small and medium-sized industries established at much great expenditure of labor. Our observations give the impression that this latter alternative is preferred."

EXPECTATIONS RISE FOR HOUSING BILL

Istanbul HURRIYET in Turkish 5 Jun 81 pp 1, 13

[Text] Istanbul Chamber of Industry [COI] Assembly Chairman Ibrahim Bodur said in a statement yesterday that at least 10 million housing units would be needed in our country in the next 20 years. "Can we make these people live in tents? If we avoid solving the problem by making vain excuses, we will have an even worse problem than we do today," he said.

At a joint press conference on the public housing bill held yesterday with Necati Guclu, chairman of the federation of construction contractors, Ibrahim Bodur spoke as follows:

"It is gratifying that the government has turned its attention to the housing problem which has been neglected for years. Our industrialists, businessmen, contractors, craftsmen and workers who have an interest, whether direct or indirect, in the construction sector have all pinned their hopes on this law which is expected to be passed. Small and medium-sized contractors, with their enormous potential, must certainly benefit by this law. The law must cover everyone widely, not just one group or class."

Istanbul COI Assembly Chairman Bodur touched on taxation of the construction sector, saying, "We in the construction sector pay 32 different taxes. This situation is unheard of in any other country in the world," and proposed that the burden of taxes and fees on the construction sector be reduced to a minimum, if only temporarily. Ibrahim Bodur listed as follows the measures which should be taken to revive the construction sector:

"All public service banks under state guarantee should assign a minimum of 5 percent to 10 percent of their deposits to housing savings and credit funds and this should be an imperative provision of the public housing law. A certain part of the state budget should be allocated for the building of state housing. State and public employees should not have to pay rent. Private sector establishments should also provide housing for their personnel. Infrastructure credit should be set up to go into effect for public housing establishments when the law is passed. The law should also make it possible for public housing establishments to use foreign capital."

Encouragement Draft

Meanwhile, the final form of the Public Housing Encouragement Law draft is expected to be approved by the National Security Council (NSC) and go into effect in the next few days. The law makes possible, first and foremost, home ownership under suitable conditions for low- and middle-income citizens.

The "Public Housing Encouragement Law" draft was drawn up with two important features in mind. The first is that it should be based on extensive financial resources to allow expansion of public housing construction and the second is that effective organizations should be formed to ensure smoothness of operation in public housing construction.

Public Housing Fund

Article 8 of the law finally brings a radical solution in the form of a public housing fund. The fund is to be formed in the Central Bank for the purpose of implementing the law and carrying out the services it introduces. Fund revenues will be obtained from the following sources:

- a) 15 percent surcharge on cigarettes, tobacco and cigars, 15 percent surcharge on alcoholic beverages (including beer),
- b) A surcharge on the import or refinery-exit price of the liquid fuel produced domestically or imported of 10 percent on gasoline, 6 percent on diesel fuel, 6 percent on kerosene and 6 percent on fuel oil,
- c) Fiscal Balance Tax revenues collected under Law No 1958,
- d) Appropriations to be placed in the Finance Ministry section of the state budget for transfer to this fund (excluding appropriations to be placed in the investment budget each year as housing sector investments for use with a specific program only in the construction of housing personnel quarters which do not comprise a public housing project),
- e) Principal and interest returned on credits given from the fund,
- f) Credits and aid to be obtained from international organizations,
- g) Donations, aid, profit-sharing and other income,
- h) Monies assigned to any service in new housing development credit funds,
- i) Housing bonds which the Central Bank will sell.

The draft contains the following regulations in relation to the fund:

--15 percent of the fund will be designated as grants for encouragement premiums on housing savings accounts and housing credit interest and as housing credit.

--18 percent of the fund will be designated as a source of lots and infrastructure financing or credit for acquisition of lots and implementation of infrastructure projects in residential areas.

--15 percent of the fund will be designated as investment, operational and equipment credit for public housing establishments and industrial establishments which produce building supplies and elements.

--10 percent of the fund will be designated as a source of financing to provide social service quarters for public personnel.

--2 percent of the fund will be set aside for research and development of methods, models and standards.

Interest

Article 11 of the draft explains the types of credit to be given from the fund and the interest and terms.

Housing construction credit -- 20 years at 5 percent following a 3-year grace period.

Workplace credit -- 5 years at 15 percent with 2-year grace period.

Interim financing credit -- 5 years at 15 percent with maximum 3-year grace period.

Land credit -- 5 years at 5 percent with 2-year grace period.

Infrastructure credit -- 5 years at 5 percent.

The draft also states that the total of housing and workplace credits can go as high as the value of the housing for which credit is to be received, credit for public housing can equal 60 percent of the value of the housing, and construction credit can be up to 30 percent. The draft defines the duties of the housing organizations among which is setting housing costs and sales prices.

National Housing Policy Supreme Council

The Public Housing Encouragement Law allows for continuous monitoring at the government level of the housing problem with formation of a Supreme Council on National Housing Policy which will have final say.

The "Supreme Council on National Housing Policy" will be headed by the prime minister or a designated minister of state and will be composed of the ministers of reconstruction and resettlement, finance, industry and technology, social security and public works. It will make important decisions at the highest level and determine the measures to be taken for solution of the housing problem.

A second organization to be formed named the "Public Housing Fund Executive Committee" will assist in administration of the public housing fund which will be expressed in billions.

Encouragement and Priorities

The Public Housing Encouragement Law draft redefines priorities in credit and aid, introducing new potential. Fund use for public housing projects and nationwide distribution and the graduation of credits will be devised according to priorities identified by the Reconstruction and Resettlement Ministry in accordance with settlement, urbanization, industrialization and housing policies set in the 5-year plan and annual programs and bearing in mind principles to discourage flight to the large cities.

Foreign Sales

The Public Housing Encouragement Law plans housing sales abroad as follows:

"In order that our citizens abroad may obtain housing, the public housing establishments which build housing and sell it for foreign exchange in accordance with implementation projects approved by the Reconstruction and Resettlement Ministry will be considered exporters and allowed the same rights, exemptions and privileges accorded thereto."

Rent Report Prepared

Remedies are also being sought for the housing problem in this regard which affects some hundreds of thousands. A "Report on Real Estate Rentals" prepared by the specialized committee on the law has been discussed by the NSC. The NSC is studying the draft laws on construction of rental and public housing and quarters in conjunction with the legal and administrative measures needed in this regard."

The 39-page report on rentals prepared by the specialized committee on the law states that "Rental is as much a social and economic problem as a legal problem and is a natural consequence of the traditional right to personal property." The conclusions and proposals section of the report which gives an overview of past legal implementations with regard to rental says in part:

"Freezing rental costs according to a specific date and raising this frozen rate by an annual percentage will not in itself resolve the rental and housing problem. In the same way, taking a specific proportion of the real estate tax assessment as rent and raising this by a specific percentage in comparison to some previous rental period will not resolve the rental and housing problem either. Neither will the problem be resolved, for instance, by classifying real estate, determining construction costs, setting rental rates as a specific proportion of land value, or of value plus a profit margin or by legal arrangements devised by raising some previous year's rental rate by a certain percentage.

"Strict, compulsory measures have a negative effect on housing construction. The high interest policy has in fact brought real estate sales and new construction to a halt at the moment. Many owners have begun selling their property and putting the money into interest-bearing accounts. Doubtless the freeze on rentals will lead to tax losses. Taxpayers who accurately report their real estate income today will collect the difference on the side if rentals are frozen and will not pay taxes on it."

POSITIVE REACTIONS GIVEN TO WHEAT PRICE SUPPORT

Istanbul CUMHURİYET in Turkish 5 Jun 81 pp 1, 5

[Text] NEWS CENTER -- Producers have generally approved the wheat support prices set for the new season by the Council of Ministers. Last year prices on the wheat market rose above 20 liras during October and November leading to widespread speculation and measures were taken to prevent further rises. Wheat prices had risen to 22.5 liras at one point, but expectations of a good harvest in the coming new crop started prices downward. The 20 liras given for top quality pasta durum wheat in the wheat prices announced the day before yesterday was identical to the going price on the market. On the other hand, the Soil Products Office bought very little last year which led to hoarding of the wheat crop either by the big producing farmers or merchants and the widespread wheat speculation by these people. This year, the announcement that the Soil Products Office will be buying extensively and that wheat payments will be made immediately in advance is described as a cheering development by producers.

The Soil Products Office will purchase enough to cover its responsibility to provide wheat if the governors' offices need it and will prevent development of speculation in wheat this year.

On the other hand, although there was sufficient wheat for exports from the 1980 crop, stocks were not allowed to be exported. The Soil Products Office is responsible for wheat exportation, but it had no wheat available for export. For this reason, 1980 wheat exports fell 50 percent behind 1979, with the 686,000 tons exported in 1979 dropping to 338,000 tons. There was more than 2.5 million tons in the warehouses which could have been exported, however. Export data from the first 2 months of this year show more activity in wheat sales than in 1980. In January, 68,600 tons were exported and in February, 130,000 tons. However, despite a hungry market for wheat as close as the Middle East countries and these countries' need not only for wheat but also for wheat products such as pasta, semolina and flour, the Soil Products Office has not to date been sufficiently active in exportation. The Council of Ministers decision on grain support prices makes the "Soil Products Office authorized to export grain and grain products through clearing and cash agreements and responsible for having millers manufacture flour for the purpose of exporting flour instead of wheat when necessary." Thus, the Soil Products Office is fully empowered by the government to export wheat.

CHANGES MADE IN CONSTRUCTION TAX LAW

Istanbul CUMHURİYET in Turkish 5 Jun 81 pp 1, 5

[Text] Ankara (CUMHURİYET BUREAU) -- Building construction tax exemptions have been expanded.

In accordance with a law approved at yesterday's National Security Council (NSC) meeting, the term "common sites" in the article on building construction tax exemptions is changed to indicate shares deriving from common sites such as construction areas, shelters, multilevel parking garages, warehouses and centrally-heated, high-rise apartment buildings, thus extending the scope of exemptions.

Meanwhile, a provisional article on the building construction tax is also added to the Income Tax Law.

The provisional article follows:

"Pre-amendment regulations of Financing Law No 1318 shall apply to taxpayers who applied to the competent authorities for construction permits prior to the effective date of Law No 2351, dated 8 December 1980, pertaining to Changes in the Building Construction Tax and presented blueprints or preliminary projects for approval and who had paid by the date of 11 December 1980 at least one of the fees required in accordance with reconstruction regulations."

According to the Income Tax General Communique, published by the Finance Ministry yesterday in the RESMI GAZETE, farmers whose annual sales equal 500,000 liras will be considered small farmers.

The principles under which the small farmer exemption apply are set forth as follows in the communique:

"Farmers whose total annual sales do not exceed 500,000 liras may take advantage of the small farmer exemption. Farmers who, though not exceeding the sales total standard, are subject to the basic-procedure income tax because of commercial and occupational earnings or who own a combine or motor vehicle of a similar nature or more than one tractor may not take advantage of the small farmer exemption for their agricultural activities."

The communique states that the earnings of farmers whose total annual returns are less than 4 million liras will be taxed on the lump-sum expenditure basis and those with returns of 4 million liras or more will be taxed on the operational account basis or, if they wish, on the balance-sheet basis.

For farmers whose earnings require validation according to the lump-sum expenditure procedure, 80 percent of reported returns on large and small livestock and miscellaneous products and 70 percent of returns on other agricultural products will be subject to the lump-sum expenditure procedure.

The communique also clarifies degrees of disability, stating that those who have lost 80 percent of the ability to work will be considered first degree, 60 percent will be second degree and 40 percent will be third degree. A four-factor disability deduction will apply to heads of household of first degree disabled, two-factor for second degree disabled and one-factor for third degree disabled.

The communique noted that with changes made in the Income Tax Law, the 200,000-lira limit on assessed tax values under the Workplace Property Tax rises to 350,000 liras and, in cases in which the Property Tax value is not known, the condition that total annual rental not exceed 12,000 liras is raised to 25,000 liras.

The communique states that taxpayers who pay their income tax installments early will receive a deduction and that taxpayers who perform notary public services will be excluded from advance payment.

Meanwhile, the Council of Ministers, in its meeting yesterday, approved for submission to the NSC the "State Contract Law Draft" and a draft law which prevents persons who have been separated from public jobs from holding jobs in general and mixed budget offices.

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CSO: 4654/18

PROVINCIAL WAGE SCALE OUTLINED

Istanbul CUMHURİYET in Turkish 7 Jun 81 p 3

[Text] Ankara (CUMHURİYET BUREAU) -- According to Social Security Organization [SSO] statistics, the highest average worker wages as of the end of 1980 were 519.98 liras in Kocaeli and the lowest were 343.72 liras in Gumushane.

The average worker wage as of the end of 1980 according to the SSO statistics was 426.96 liras. The average for permanent jobholders was 448.64 liras and for seasonal and part-time workers was 344.46 liras. The average wage for workers in the public sector was 525.30 liras, approximately 100 liras above the general average, while that in the private sector was 367.35 liras.

Kocaeli leads at 519.98 liras as the province with the highest average wage, followed by Siirt (500.99), Bitlis (494.19) and Elazig (491.81). Gumushane tops the list of lowest average wages. This province, its average at 343.72 liras, is followed by Nevsehir (352.11), Aydin (359.77), Denizli (362.18) and Ordu (369.85).

Tunceli Province has an average wage only 2 kurus higher than the general average. Tekirdag (427.61) and Icel (428.48) are other provinces close to the average.

Provinces with average worker wages higher than the national average are:

Adana, Adiyaman, Agri, Ankara, Antalya, Artvin, Bilecik, Bitlis, Diyarbakir, Elazig, Erzurum, Eskişehir, Hakkari, Hatay, Icel, Kars, Kastamonu, Kayseri, Kocaeli, Kahramanmaraş, Mugla, Mus, Sakarya, Samsun, Siirt, Sivas, Tekirdag, Tokat, Tunceli, Urfa, Yozgat, Zonguldak.

The average in other provinces is below the national average.

Looking at average worker wages by private or public sector, Hatay is the province which paid the highest wage in the public sector with a 599.39-lira average. The province with the lowest average in this sector is Bolu with 460.44 liras. Provinces higher than the average include Kocaeli (596.80), Kastamonu (588.98), Elazig (576.02) and Istanbul (575.84), while those lower than the average include Cankiri (464.74), Canakkale (469.46) and Bilecik (472.71).

The province with the highest average in the private sector is Siirt with 494.62 liras, followed by Kocaeli with 489.83 liras. The lowest wage was in Bingol with 219.46 liras and Gumushane with 221.16 liras.

Average wages in all 67 provinces were higher in the public sector than in the private sector. The difference varies between 100 liras and 150 liras. SSO officials say that the figures in the private sector do not reflect the facts, that many employers in this sector give premiums to the workers, paying in on a lower wage, not the true wage.

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CSO: 4634/8

BRIEFS

ETIBANK MINERAL PRODUCT EXPORTS—Ankara, (AAJANS)—Etibank is to export \$300 million worth of minerals in 1981. During 1980, Etibank achieved \$169.7 million in foreign sales and 14.6 billion lira in domestic sales. It is expected that 1981 domestic sales will amount to 26.4 billion [lira]. Officials indicated that Etibank has set aside 9.8 billion lira to finance investment and stated that "production for the first 4 months of 1981 had reached a record level by comparison with the same period of last year." Etibank officials said "measures taken during 1981 placed emphasis on technological development in mining investment and raw material inputs and sales connections were obtained as rapidly as possible." [Text] [Istanbul MILLIYET in Turkish 12 Jun 81 p 11]

EXPORT PROMOTION MEASURES—Ankara, (ANEA)—The Prime Ministry's State Planning Office Promotion and Implementation Branch reported that the export promotion measures were inadequate for the purpose of rapidly developing exports. A report on the subject called for the institution of export insurance, the revising of the law relative to the protection of the Turkish Currency, as well as such revision as selective credit, the Export Promotion Fund, and exemptions from taxes, duties and fees. The report claims that the export contracts that are granted are not realistic and indicates that many firms had been discovered to have requested export contracts solely to obtain tax, duty and fee papers. [Text] [Istanbul YEROGUAS in Turkish 11 Jun 81 p 9]

(CNO: 4854/6)

BRIEFS

PROGRESS ON 'COMPROMISE' AGREEMENT--The government and parties of the agreement have given themselves summer vacations even though a number of problems connected with the compromise agreement remained unsolved. At a meeting yesterday with Premier Anker Jorgensen the parties decided that four small working groups with representatives from the parties to agreement are to go on working on the problems, and that the next big meeting of the agreement circle is not to take place until 11 August. According to the Finance Minister, the parties to the agreement yesterday established the main features of the finance law proposal to be presented on 14 August and is included in the compromise agreement of May. The Finance Minister stated, however, that yesterday there was no discussion of details of the passing reductions and the fee increases of 2 billion kroner on an annual basis, which according to the agreement are to be introduced in 1987. The fee increases are to be discussed in a number of meetings of subcommittees with Tax Minister Mogens Lykketoft. A number of remaining problems in the housing area and the coming revision of housing financing are to be discussed in a subcommittee headed by Housing Minister Erling Olsen. A third subcommittee will work with the Energy Minister. Finally, a committee will meet this summer with Labor Minister Svend Auken to deal with the problems of the government's desire for an arrangement to create jobs and plans for changing unemployment compensation and collection of various employer contributions. [Text] [Copenhagen BERLINSKE TIDENDE in Danish 19 Jun 81 p 5] 11,256

GOVERNMENT ACTS TO HALT TYPE OF ARMS TRAINING GIVEN LIBYANS

Stockholm SVENSKA DAGBLADET in Swedish 17 Jun 81 p 6

[Article by Margit Silberstein]

[Text] Today a bill is being submitted to the government to prevent "episodes like the Telub affair" in the future. The recommendation from the War Materiel Export Committee means among other things that "training of foreign nationals which has a military slant" could not take place without the consent of the government.

But the bill which could become law next year gives no clear answer as to whether it would have halted the training now going on at Telub in Vaxjo. The question concerns what is meant by a "military slant." The training now being given at Telub in Vaxjo has been described as civilian in nature by several people but it is being given to Libyan military people. They can then use their knowledge in the Libyan armed forces.

"If we had this law in effect now Telub would have had to ask permission for the training being given there today."

At any rate that is the opinion of former minister of defense Sven Andersson who is chairman of the War Materiel Export Committee which was set up at the request of the minister of trade in the Liberal government, Nadar Cara. But it was his successor, Staffan Burenstam Linder, who asked the committee to study the issue of exporting military expertise.

Limits hard to set

"If we had not had the debate on the Telub affair there would be no legislative amendment now," Sven Andersson told SVENSKA DAGBLADET.

Sven Norberg, undersecretary in the Trade Ministry, has assisted the committee as an expert. He would not go quite as far as Sven Andersson and say that the current bill could have stopped the training now being given at Telub.

He underlined the problems that exist in setting limits and pointed out that the report excluded such things as "regular educational training" even if it can be

used for military purposes. In other words government consent is not needed for what is called "regular educational training." Sven Norberg would not say if that description applied to the Teluh training. Also excluded was training given under the auspices of MO and MIA [expansions unknown] where the authorities are already supervising things. The same thing applies to training arranged by a state agency (Teluh is a state-owned company, not a state agency). Sven Norberg illustrated the problems involved in setting limits by quoting something said by former Soviet government leader Khrushchev during the U.S. trade boycott of the Soviet Union:

"Why not halt the sale of pants buttons too? After all our soldiers have to have pants buttons, they can't march without buttoning their pants."

Parliamentary Control

Whether or not it is true that the new law could allow the government to halt the training being given at Teluh, as several members of parliament demanded, it is doubtful that it can be applied retroactively. The report contains no transition regulations applicable to Teluh.

The new bill on the export of war materiel does not concern military training alone. The committee also recommended tightening the law with regard to manufacturing rights or licensing sales which under the bill would be subject to the same controls as weapons exports. In addition it recommended that all sizable arms export deals be taken up by the parliamentary committee so that the opposition also has a chance to express its opinions.

"That would give us parliamentary control over Swedish arms exports," said Sven Andersson.

According to Sven Andersson the most difficult problem has been distinguishing between civilian and military equipment, especially in the electronics sector. Therefore the committee proposed that parliament name experts to put at the government's disposal. With regard to handling arms exports the committee adhered to the guidelines laid down 10 years ago. But the wording will be tightened up with regard to the choice of countries outside Europe.

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CDR 4109/11

BRIEFS

SECURITY COUNCIL PRIORITIES ATTACKED--Henning Christophersen, Liberal party chairman and former foreign minister, is now getting strong support from the CD [Democratic Center Party] in his criticism of the government's Security and Disarmament Committee, the SNU, which as its first task will deal with the North as a zone free of nuclear weapons. Rene Robert Brunsvang, the CD's representative in the SNU, has sent to the committee chairman, Foreign Affairs Counselor, Ambassador S.G. Melbin, a letter in which he protests the committee's priorities. Brunsvang, a consultant in the foreign ministry, states in his letter that if the committee chairman insists upon his priorities, SNU meetings will be of only "academic interest." CD group chairman Arne Melchior says to BERLINGSKE TIDENDE that the intent of the letter is to put pressure upon the Chairman. As does Liberal Chairman Henning Christophersen, the CD is still contemplating withdrawing from the SNU because of the question of a zone in the North free of nuclear weapons. Arne Melchior says that the CD's attitude to the SNU is also connected with how accommodating the government proves to be in negotiations on a new defense agreement. The more accommodating the government proves to be, the more friendly will the CD behave, says Arne Melchior. Folketing Member Poul H. Moller, who represents the Christian People's Party in the SNU, says he has not yet pondered the question of withdrawing from the SNU. He supports Henning Christophersen's criticism, however. Henning Christophersen has stated earlier that with its decision of discussing a zone free of nuclear weapons, the SNU has fallen for a propaganda ploy. [Text] [BERLINGSKE TIDENDE in Danish 19 Jun 81 p 5] 11,256

CSO: 3106/134

PRODUCTION OF ANTIAIRCRAFT GUN PLANNED

Athens I KATHIMERINI in Greek 12 Jun 81 p 1

[Text] The Greek Arms Industry [EVO] will soon start producing a modern anti-aircraft gun--the "Artemis 30"--according to an announcement made during a press conference held on the occasion of the EVO stockholders meeting, at which a progress report was submitted. The advantage of the new gun is that it can pinpoint and hit enemy aircraft within only 8 seconds compared to about 50 seconds needed for existing antiaircraft guns.

The first speaker, National Defense Deputy Minister Al. Avramidis, pointed out that the phenomenal progress of EVO is manifested by the fact that within a short time it succeeded in its products attaining a 90 percent added value. "It is characteristic," he said, "that only the metal used for the barrel of the guns is imported from abroad."

EVO President Droulias said that EVO's turnover more than doubled in 1980, reaching 903 million drachmas, and that its gross profit more than tripled (245,480,432 drachmas compared to 75,471,247 in 1979). Droulias also reported that:

- a. Net profits reached by EVO were 53 million drachmas in 1980 compared to 928,560 drachmas in 1979. At the same time, the company increased its business considerably and was able to pay 20 percent of its investment debt in only 2 fiscal years.
- b. The per-plant level of production increased by 100 percent compared to 1979 and EVO today produces at its Aigion factory six types of guns (from light infantry guns to artillery guns and weapons systems). After recently acquiring the Lavrion installations from the government, EVO started producing three types of ammunition (propellants, explosives, charges).
- c. The company's investment program for the next 5 years provides for increasing production by 100 percent annually. Already all requirements for implementing the 1982 program have been completed through gradual increase of the stock capital. At the same time, plans are being made for finding more capital for new plants for the Aigion complex and for developing units in the Lavrion complex.

Other speakers who explained various technical details were: Air Force Lt. Gen. Vagiakakos, EVO manager, and EVO Director General Kokkinos. Present also at the

press conference was Akh. Gerokostopoulos, EVO legal advisor. Responding to a question, Deputy Defense Minister Al. Avramidis said that weapons produced at the Aigion complex are sold to NATO and third world countries.

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JULY 15, 1981